Consolidated financial statements

Consolidated statement of profit and loss

in thousands of euros	Notes	2023		2022	
Total turnover	22		**1,847,532**		**1,816,615**
Raw materials, consumables, trade products and subcontracted work		928,220		958,694	
Personnel expenses	23	478,467		435,097	
Other operating expenses	25	156,968		140,009	
Depreciation and result on divestment of property, plant and equipment	26	48,828		37,640	
Amortization	27	56,860		54,550	
Impairments	28	3,720		472	
Total operating expenses			**1,673,063**		**1,626,462**
Operating result			**174,469**		**190,153**
Financial income	30		1,316		562
Financial expenses	30		-23,440		-10,307
Exchange differences	30		-750		-2,136
Share in result of associates	6		-3,309		3,075
Result on sale of associates and subsidiaries	34		54,802		0
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests	14		-146		-105
Result before tax			**202,942**		**181,242**
Tax on result	31		37,180		44,116
Net result			**165,762**		**137,126**
Attributable to:					
Shareholders of the company			165,704		137,083
Non-controlling interests			58		43
			165,762		**137,126**
Earnings per share attributable to shareholders	32				
Ordinary earnings per share (in €)			4.07		3.34
Diluted earnings per share (in €)			4.07		3.33
Ordinary earnings per share before amortization (in €) [1]			4.38		3.65
Ordinary earnings per share before amortization and one-off income and expenses (in €) [1]			3.21		3.50

1. Non IFRS measure.

Consolidated statement of comprehensive income

in thousands of euros	Notes	2023		2022	
Net result			**165,762**		**137,126**
Items that may be reclassified subsequently to profit or loss (net of tax)					
Currency translation differences		-6,350		1,659	
Currency translation differences in associates		-532		-155	
Effective part of changes in fair value of cash flow hedges (after tax) [1]		3,718		-5,292	
			-3,164		**-3,788**
Items that will not be reclassified subsequently to profit or loss (net of tax)					
Actuarial gains/(losses) [1]	16	151		1,084	
			151		**1,084**
Other comprehensive income (net of tax)			**-3,013**		**-2,704**
Comprehensive income for the period (net of tax)			**162,749**		**134,422**
Attributable to:					
Shareholders of the company			162,769		134,396
Non-controlling interests			-20		26
Total comprehensive income for the period (net of tax)			**162,749**		**134,422**

1. For the impact of taxes is referred to note 31.

Consolidated balance sheet

in thousands of euros	Notes	31-12-2023	31-12-2022
Assets			
Non-current assets			
Intangible assets and goodwill	3	565,696	533,845
Property, plant and equipment	4	436,019	294,945
Right-of-use assets	5	84,012	75,312
Associates	6	35,987	12,204
Other receivables	8	752	613
Deferred tax assets	15	15,824	13,271
Total non-current assets		**1,138,290**	**930,190**
Current assets			
Inventories	7	403,259	385,913
Trade and other receivables	8	243,622	249,338
Contract assets	9	217,123	204,142
Contract costs	9	8,014	3,480
Current income tax		2,603	2,315
Cash and cash equivalents [1]	10	93,697	184,559
Total current assets		**968,318**	**1,029,747**
Assets held for sale	34	21,171	108,506
Total assets		**2,127,779**	**2,068,443**

in thousands of euros	Notes	31-12-2023	31-12-2022
Equity and liabilities			
Group Equity			
Shareholders' equity	11	835,565	786,773
Non-controlling interests	12	148	168
Total group equity		**835,713**	**786,941**
Non-current liabilities			
Interest-bearing loans and borrowings	17	572,368	503,008
Deferred tax liabilities	15	57,722	52,468
Retirement benefit obligation	16	3,679	3,765
Other non-current financial liabilities	14	1,033	919
Provisions	13	12,740	6,798
Total non-current liabilities		**647,542**	**566,958**
Current liabilities			
Interest-bearing loans and borrowings [1]	18	75,864	70,419
Trade payables and other payables	19	357,245	384,914
Contract liabilities	9	176,130	186,473
Current income tax liabilities		11,290	15,498
Other financial liabilities	14	1,639	2,985
Provisions	13	19,209	20,798
Total current liabilities		**641,377**	**681,087**
Liabilities directly associated with assets held for sale	34	3,147	33,457
Total equity and liabilities		**2,127,779**	**2,068,443**

1. Including € 24.5 million (2022: € 106.2 million) cash and cash equivalents that are part of cash and interest pools. These cash and cash equivalents are not netted in the consolidated balance sheet.

Consolidated statement of changes in group equity

in thousands of euros	Share capital	Share premium	Legal reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Unappropri-ated profit	Total share-holders' equity	Non-controlling interests	Total group equity
Balance at 1 January 2022	**10,554**	**85,021**	**92,542**	**15,251**	**1,049**	**422,301**	**95,212**	**721,930**	**53**	**721,983**
Net result							137,083	137,083	43	137,126
Other comprehensive income				1,521	-5,292	1,084		-2,687	-17	-2,704
Total comprehensive income	**0**	**0**	**0**	**1,521**	**-5,292**	**1,084**	**137,083**	**134,396**	**26**	**134,422**
Appropriation profit last year						95,212	-95,212	0		0
Capital contribution								0	89	89
Dividends						-61,791		-61,791		-61,791
Share and option schemes						3,539		3,539		3,539
Purchased shares for share and option schemes						-18,382		-18,382		-18,382
Sold shares for share and option schemes						7,081		7,081		7,081
Change in legal reserve for participations			2,508			-2,508		0		0
Capitalized development costs			7,065			-7,065		0		0
Balance at 31 December 2022	**10,554**	**85,021**	**102,115**	**16,772**	**-4,243**	**439,471**	**137,083**	**786,773**	**168**	**786,941**
Net result							165,704	165,704	58	165,762
Other comprehensive income				-6,804	3,718	151		-2,935	-78	-3,013
Total comprehensive income	**0**	**0**	**0**	**-6,804**	**3,718**	**151**	**165,704**	**162,769**	**-20**	**162,749**
Appropriation profit last year						137,083	-137,083	0		0
Dividends						-67,696		-67,696		-67,696
Share and option schemes						4,997		4,997		4,997
Purchased shares for share buy-back program						-50,004		-50,004		-50,004
Purchased shares for share and option schemes						-8,545		-8,545		-8,545
Sold shares for share and option schemes						7,271		7,271		7,271
Change in legal reserve for participations			7,329			-7,329		0		0
Capitalized development costs			5,717			-5,717		0		0
Balance at 31 December 2023	**10,554**	**85,021**	**115,161**	**9,968**	**-525**	**449,682**	**165,704**	**835,565**	**148**	**835,713**

Consolidated cash flow statement

in thousands of euros	Notes	2023	2022
Cash flow from operating activities			
Operating result		174,469	190,153
Depreciation, amortization and impairment		109,494	100,605
Share and option schemes not resulting in a cash flow		4,997	3,539
Result on disposals		-85	-9,374
Changes in provisions		-124	-3,354
Changes in working capital		-71,338	-116,347
Cash flow from operations		**217,413**	**165,222**
Interest received		1,317	561
Interest paid		-21,792	-9,197
Income taxes paid		-44,063	-40,424
Net cash flow from operating activities (A)		**152,875**	**116,162**
Cash flow from investing activities			
Investments in intangible assets	3	-53,128	-45,906
Divestments in intangible assets			13
Purchases of property, plant and equipment		-177,761	-92,339
Disposals of property, plant and equipment		705	533
Dividends received from associates			196
Repayments on loans		-139	135
Acquisition of associates	6	-27,624	
Acquisition of subsidiaries less cash and cash equivalents acquired	34	-42,913	-877
Divestments of assets held for sale			13,957
Divestment of associates and subsidiaries classified as held-for-sale less transferred cash	34	130,460	
Net cash flow from investing activities (B)		**-170,400**	**-124,288**

in thousands of euros	Notes	2023	2022
Cash flow from financing activities			
Dividends paid		-67,696	-61,791
Settlement of financial liabilities regarding put options of non-controlling interests and earn-out	14	-1,379	-4,039
Capital contribution non-controlling interests			89
Purchased shares for share buy-back program		-50,004	
Purchased shares for share and option schemes		-8,545	-18,382
Sold shares for share and option schemes		7,271	7,081
Payment of lease liabilities		-16,537	-14,746
Proceeds from long term debts		397,050	163,596
Repayments on long-term debts		-335,000	
(Repayments)/proceeds from other long-term debts		-1,005	-53
Change in short-term borrowings	18	86,628	-51,186
Net cash flow from financing activities (C)		**10,783**	**20,569**
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**-6,742**	**12,443**
Exchange differences		-2,351	-2,073
Change in cash and cash equivalents		**-9,093**	**10,370**
Cash and cash equivalents at 1 January		78,387	68,017
Cash and cash equivalents at 31 December	10	**69,294**	**78,387**

Notes to the Consolidated financial statements

1 Material accounting principles

General
Technology firm TKH Group N.V. has been incorporated and domiciled in Haaksbergen, the Netherlands. TKH Group N.V. has its registered office and factual seat at Spinnerstraat 15, 7481 KJ in Haaksbergen in the Netherlands and is registered in the trade register under number 06045666. The consolidated financial statements of TKH Group N.V. (hereafter 'TKH') have been drawn up in accordance with the International Financial Reporting Standards ('IFRS') adopted by the European Commission and applicable on the accounting period that begun on 1 January 2023. The company financial statements are part of the financial statements of TKH. The financial statements have been prepared based on the historical cost basis, except for the valuation at fair value of investment property, derivatives and share-based payments. All transactions in financial instruments are recognized at transaction date. To the extent that alternative performance measures are used these are explained in the glossary, which is included in the 'Other information'.

Going concern
TKH has prepared the financial statements on the basis that it will continue to operate as a going concern.

Comparative figures
Comparative figures may have been reclassified for comparability purposes. If considered to be material, the relevant disclosure has been added to the applicable note.

New accounting principles and interpretations
As from 1 January 2023 the following amendments of standards and new interpretations are effective:
- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates - Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

The adoption of the amendments and improvements did not have material impact on the financial statements. Regarding Pillar Two reference is made to note 31.
TKH has not opted for an early adoption of the following new standards, amendments to standards and new IFRIC interpretations, which are mandatory for accounting periods that begin on or after 1 January 2024:
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7
- Lack of Exchangeability – Amendments to IAS 21 (starting 1 January 2025)

TKH expects that the adoption of the other new standards and amendments in future periods will not have a material impact on its financials statements.

Consolidation
The consolidated financial statements include the annual accounts of all subsidiaries over which TKH has or can exercise control. Control is achieved when TKH is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. An overview of consolidated entities is included in the 'Other information'. If facts and circumstances indicate that there are changes to one or more of the three elements of control, TKH re-assesses whether or not it controls a subsidiary. Consolidation of a subsidiary begins when TKH obtains control over the subsidiary and ceases when TKH loses control of the subsidiary.

Profit or loss and each component of other comprehensive income (hereafter 'OCI') are attributed to the shareholders of TKH and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting principles in line with TKH's accounting principles. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries are eliminated in full on consolidation.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If TKH loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in the statement profit and loss.

Segment reporting
TKH is organized along the lines of our three technologies: Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems. The internal and external segment reporting as follows this structure. For these segments, discrete financial information is available that the Executive Board, the highest operational decision-makers, evaluates regularly. The Executive

Board decides on the allocation of resources and reviews the performance of the three segments. These performances are reviewed and reported to the level of operating result. The accounting principles that are applied to these consolidated financial statements also apply to the business segments. The transaction prices for deliveries between segments are determined on an arm's length basis. The results, assets and liabilities of a segment include both items directly linked to that segment as items that can reasonably and consistently be allocated to that segment. Besides the information about the operating segments, selective information by geographic region is disclosed. In the overview of 'Consolidated entities', as part of the 'Other information', is shown in which of the segments the different subsidiaries operate.

Foreign currencies

The consolidated financial statements are presented in euros, which is also the functional currency of the holding. Transactions in foreign currencies are translated into the respective functional currencies of the entities of the group, at the prevailing exchange rate at transaction date. In foreign currency denominated monetary assets and liabilities at the balance sheet date are translated at the exchange rate prevailing at that date. The result of the conversion occurring exchange differences on monetary items, are recorded in the statement of profit and loss.
Assets and liabilities of foreign subsidiaries with a functional currency other than the euro are translated at the exchange rates prevailing at the balance sheet date. The profit and loss accounts of foreign subsidiaries are translated using the weighted average monthly exchange rates over the year under review. Goodwill and fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rates at the balance sheet date. The exchange differences arising from the translation are recognized through OCI as a separate item in equity. Exchange differences recorded through OCI are reclassified to the statement of profit and loss as part of the result on diposal in the period in which the related entities are disposed of.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date at fair value and the amount of any non-controlling interests in the acquiree, in exchange for control of the acquiree. Acquisition related costs are recognized in the statement of profit and loss as incurred.
At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of TKH entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the net amounts of the identifiable assets acquired and the liabilities assumed at acquisition date. If the amount is negative, a badwill (bargain purchase gain) is recognized immediately as benefit in the statement of profit and loss.
Non-controlling interests are reported separately from the group result and group equity. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the parent in transactions where the non-controlling interests are acquired or sold without loss of control. TKH has elected to recognize this effect in retained earnings. When a non-controlling shareholder has an unconditional right to sell its shares to TKH according to a contractual agreed formula ('put option'), a liability is recognized by TKH for the shares to be purchased. The liability is recognized at the present value of the estimated future cash outflow. A legal reserve is accounted for the interest in the equity of the subsidiary of which the economic ownership has been obtained, but not yet the legal ownership. Adjustments after the first recognition on the value of the financial liability for put options and earn-out payments are recognized directly into the statement of profit and loss.

Intangible assets and goodwill

Goodwill

Goodwill is capitalized and allocated to cash-generating units. Goodwill is not amortized. Instead, it is tested at least annually for impairment. Any impairment loss is recognized in the statement of profit and loss as soon as it occurs and is not reversed in subsequent periods. On sale of a subsidiary, the goodwill is included in the determination of the profit or loss on a disposal.

Other intangible assets

Expenditure for research is charged to the profit and loss when incurred. Expenditure for development is capitalized if the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development costs can be measured reliably.

Development costs are not capitalized if they are directly reimbursed by third parties and TKH does not obtain the property rights. Other intangible non-current assets are valued at historical cost less amortization. The amortization is on a straight-line basis over their expected useful life. The expected useful life is as follows:

- Capitalized development costs: 3-7 years
- Patents, licenses and trademarks: 3-10 years
- Acquired customer relationships: 7-17 years
- Acquired brand names: 10-15 years
- Acquired intellectual property: 5-10 years

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated from the date they are ready for their intended use. Depending on the type of asset, a residual value of 0 to 10% is taken into account. The expected useful life is as follows:

- Buildings: 30-33 years
- Machinery and installations: 5-15 years
- Other equipment: 3-10 years

Land is not depreciated. Other equipment includes furniture, IT-hardware and transport equipment. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Right-of-use assets

For new agreements, TKH considers whether the contract is or contains a lease. A lease is defined as a contract or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. To apply this definition, TKH assesses whether the contract meets three important criteria, namely:

- The contract contains an identified asset that is explicitly or implicitly identified in the contract;
- TKH has the right to obtain substantially all economic benefits from the use of the identified asset during the period of use, given its rights within the defined scope of the contract; and
- TKH has the right to use the identified asset throughout the period of use. TKH assesses whether it has the right to determine how and for what purpose the asset is used during the term of the lease.

At commencement date of the lease, TKH recognizes an asset and a lease liability in the balance sheet. The right of use is valued at cost, which consists of the initial valuation of the lease obligation, any initial direct costs incurred by TKH, an estimate of any costs for dismantling and removing the asset at the end of the lease, and all lease payments made before the commencement date of the lease (after deduction of received incentives). The Right-of-use assets are amortized on a straight-line basis from the commencement date of the lease to the first of the end of the useful life of the right of use or the end of the lease period or over the useful life if the underlying asset is (expected) to be acquired. TKH assesses the asset for impairment when such indicators exist.

On the commencement date, TKH values the lease obligation at the present value of the lease payments unpaid on that date, discounted using the interest rate implicit in the lease if it is readily available or the incremental borrowing rate. Lease payments that are included in the measurement of the lease obligation consist of fixed payments, variable payments based on changes in an index or price, amounts that are expected to be paid under a residual value guarantee and payments that arise from extension options that are reasonably certain to be exercized. After the initial valuation, the obligation is lowered for payments and increased for interest. The obligation is determined again in the event of changes in underlying provisions. When the lease obligation is remeasured, the corresponding adjustment is reflected in the asset or in the result if the asset has already been reduced to zero.

TKH has chosen to apply the exemption for short-term leases and for leasing assets with a low value. Instead of including a right of use and lease obligation, the payments related to these are recognized as a charge in the income statement on a straight-line basis over the lease period.

Impairment

At least annually, the company reviews its tangible and intangible non-current assets to determine whether there are indications that those assets have suffered an impairment loss. If there is any such indication the recoverable value of the asset is estimated to determine the extent of the impairment loss. If the asset does not generate cash itself, the company determines the recoverable value of the smallest cash-generating unit to which the asset belongs. The recoverable amount is the fair value less cost of disposal or the value in use, whichever is higher. The value in use is based on the estimated future cash flows that are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, the asset is written down to its recoverable amount. An impairment loss is recognized immediately in the statement of profit and loss. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, with the exception of goodwill, but never higher than the carrying amount that would have been determined when no impairment loss has been recognized. The increase is recognized immediately in the statement of profit and loss.

Associates
The associates in which TKH has significant influence in the financial and operating policy decisions, but no control or joint control, are valued according to the equity method. Under the equity method, the share in the profit or loss of the associate is recognized in the statement of profit and loss, provided that it would not result in negative carrying value of the associate, unless TKH is obliged to partially or completely compensate losses. The share in the associate is determined based on TKH's share in the net assets of the associate, including the paid goodwill at acquisition and less any impairment loss. Dividend from associates is recognized when the shareholders' right to receive payments has been established. Receipt of dividends reduces investments in associates.

Inventories
Inventories are stated at the lower of cost and net recoverable amount. The net recoverable amount is the estimated sales price in normal course of business less estimated cost of completion and selling expenses. The cost of raw materials and consumables is based on the average purchase price and cost incurred in bringing the inventories to their present location and condition. The cost of semi-manufactured and finished products comprise the direct materials and direct labor costs as well as a surcharge for the attributable production costs.

Contract assets
A contract asset is the right to consideration in exchange for products or services transferred to the customer. If TKH performs by transferring products or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration. Upon completion of the performance obligation and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables.

Contract costs
Capitalized contract costs are systematically amortized over the transfer period of the related products or services to the customer.

Contract labilities
A contract liability is the obligation to deliver products or services to a customer for which TKH has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before products or services are delivered to the customer, a contract liability is recognized. Contract liabilities are recognized as revenue when TKH performs under the contract.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset for an entity and a financial liability or equity instrument for another entity. Financial assets and financial liabilities are recognized in the balance sheet when TKH becomes a party in a contract. Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value with recognition of changes in value in the profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities upon initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value with recognition of value changes in the profit and loss are recognized immediately in the profit and loss. An exception to this relates to trade receivables, which are valued at the transaction price determined under IFRS 15.

Financial assets
Financial assets are at initial recognition classified in one of three groups for the subsequent measurement:
- amortized cost,
- fair value with change in value through OCI or
- fair value with change in value through profit or loss.

The classification of a financial asset on initial recognition depends on the contractual cash flow characteristics and the business model of TKH to manage it. A financial asset can only be classified and valued at amortized cost or fair value through OCI if it generates cash flows that consist solely of repayment of principal and interest ('SPPI') on the outstanding principal. This assessment is called the SPPI test and is performed at instrument level. The business model refers to the way in which TKH manages its financial assets to generate cash flows. The business model determines whether cash flows arise from the collection of contractual cash flows, the sale of financial assets or both. Purchases or sales of financial assets that require delivery of assets established by regulation or convention in the market place (regular way trades) are recognized on the trade date, the date that TKH commits to purchase or sell the asset. Financial assets at amortized cost are then measured using the effective interest method ("EIR") and tested for impairment. Gains and losses are recognized in the income statement when the asset is no longer recognized, adjusted or written off. The financial assets at amortized cost mainly comprise trade receivables.

Derecognition of financial assets

A financial asset is derecognized when:
- The rights to receive cash flows from the asset have expired, or;
- TKH has transferred its rights to receive cash flows from the asset or has assumed an obligation

to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) TKH has transferred substantially all the risks and rewards of the asset, or (b) TKH has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When TKH has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, TKH continues to recognize the transferred asset to the extent of its continuing involvement. In that case, TKH also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that TKH has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that TKH could be required to repay.

Impairment of financial assets

TKH recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that TKH expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. A financial asset is written off when there is no reasonable expectation to recover the contractual cash flows.

For trade receivables and contract assets, TKH applies a simplified approach in calculating ECLs. Therefore, TKH does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. TKH has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A further explanation is included in note 20.

Financial liabilities

Financial liabilities are classified, at initial recognition, as

- financial liabilities at fair value through profit or loss,
- loans and borrowings,
- other payables, or
- derivatives designated as hedging instruments in an effective hedge.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. TKH's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments. The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through profit or loss

This category include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by TKH that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. TKH has no designated financial liabilities at the balance sheet date at fair value with the recognition of changes in value in the statement of profit and loss.

Loans and borrowings

This is the category most relevant to TKH. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. The EIR method is a method for calculating the amortized cost of a financial liability and for allocating interest expenses over the relevant period. The effective interest rate is the rate that discounts the estimated future cash payments (including any fees paid or received that are an integral part of the effective interest rate and transaction costs) over the expected life of the financial liability to the amortized cost of a financial liability. Gains and losses are recognized in the statement of profit and loss when the liabilities are no longer recognized. In addition, the EIR amortization is included in the statement of profit and loss as financing costs.

Other payables

The other current liabilities are initially recognized at fair value and subsequently at amortized cost, which is generally equal to the nominal value.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Derivatives

Derivative financial assets and financial liabilities ('derivatives') are recognized in the balance sheet when TKH concludes a contract for such an instrument. Derivatives are stated at fair value on the contract date and are then measured at the prevailing fair value at subsequent reporting dates. Changes in the fair value of derivatives that are designated and effective as hedges of future cash flows are recognized directly in the OCI and accounted for as a separate item in equity. The ineffective portion is recognized immediately in the statement of profit and loss. If the cash flow from an existing commitment or an expected future transaction results in the recognition of an asset or liability, at the time the asset or liability is recognized the associated gains or losses on the hedging instrument that had previously been recognized in the OCI are included in the valuation of the asset or the liability. For hedges that do not result in the recognition of an asset or a liability, the gains or losses recognized in the OCI are recognized in the statement of profit and loss in the same period as the underlying hedged transaction is recognized in the statement of profit and loss. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized immediately in the statement of profit and loss. Hedge accounting is discontinued when the hedge instrument expires, is sold, exercised or no longer qualifies for hedging. The cumulative gains or losses on that hedging instrument recognized up to that time in equity are recognized in the statement of profit and loss when the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the cumulative gains or losses recognized in the OCI are transferred to the statement of profit and loss.

Assets and directly associated liabilities held for sale and discontinued operations

Assets held for sale

Assets and liabilities are classified as held for sale if their carrying amount will be realized primarily through a sales transaction rather than through continued use. The reclassification takes place when the assets and liabilities are available for immediate sale and the sale is within one year. Assets and liabilities held for sale are stated at book value or lower fair value less costs to sell. Selling costs are the incremental costs that can be directly attributed to the sale of an asset, excluding any financing costs and income tax. Said classification only takes place if the sale is very likely, in its current condition the assets are immediately available for sale and the sale is expected to be completed within one year. Assets and liabilities that are classified as held for sale are presented separately in the consolidated balance sheet. Non-current assets held for sale are not depreciated.

Discontinued operations

A group of assets being disposed of qualifies as a 'discontinued operation' if it is (part of) an entity that is either disposed of or classified as held for sale, and:

- represents a separate major line of business or geographical business area;
- is part of a coordinated plan to dispose of a separately important business activity or geographical area; or
- is a subsidiary, which has been taken over solely for the purpose of resale.

Discontinued operations are excluded from the results from continuing operations and are presented as a single amount in the line 'Result after tax from discontinued operations' in the profit and loss account. All other notes to the financial statements include amounts for continuing operations, unless otherwise indicated.

Provisions

General

Provisions are recognized when (a) TKH has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (c) a reliable estimate can be made of the amount of the obligation. Provisions are recognized based on the expected expenditure required to settle the obligation. Long-term provisions, with the exception of the provision for deferred tax, are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, an increase in the provision as a finance cost is recognized due to the passage of time.

Pensions

Premiums for defined contribution plans are recognized as expense in the period to which they relate. For defined benefit pension plans, which relate to foreign plans, the net liability is calculated per scheme by estimating the defined benefit obligation that employees are entitled to in exchange for their services rendered during the financial year and previous years. The defined benefit obligations are discounted. The defined benefit obligations and the costs of the defined benefit plans are calculated according to the 'Projected Unit Credit Method', with actuarial calculations being made at balance sheet date. This method takes into account future salary increases as a result of the career opportunities of employees and general wage developments including inflation adjustment. The discount rate is the yield rate at the balance sheet date on high quality corporate bonds with a term that approaches the term of the obligations of TKH. Actuarial gains and losses are directly accounted for in the OCI, which will not be reclassified subsequently to the statement of profit and loss. If the calculation results in a potential asset, the recognition of the asset is limited to the present value of any economic benefits available in the form of future refunds from the plans or reduced future pension contributions ('asset ceiling'). This is evaluated

per pension scheme. In the calculation of the present value of economic benefits any minimum funding obligations that apply are taken into account. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest on defined benefit obligations are accounted for as interest expense as part of the financial expenses. When pension entitlements are changed under a pension plan, the change in pension entitlements related to past service or the gain or loss on that change is recognized directly in the statement of profit and loss.
Pension costs, including pension costs on past service and the impact of settlements and curtailments are recognized as personnel costs.

Jubilee bonuses

The net liability for jubilee bonuses is the amount of future benefits that relate to services from employees during the financial year or previous periods. The liabilities are discounted to its present value taking into account estimated dismissal chances and salary increases.

Provision warranty obligations

The provision warranty obligations is recognized for the estimated costs that are expected to arise from active warranty obligations in respect of goods and services at balance sheet date. The costs arising from warranty claims are charged against the provision.

Onerous contracts

A loss-making contract is a contract in which the unavoidable costs (i.e., the costs that TKH can not avoid because it has the contract) to meet the obligations under the contract exceed the economic benefits that are expected to be received. The unavoidable costs under a contract reflect the lowest net costs of terminating the contract, the performance of the contract and any compensation or penalties arising from non-compliance. For a loss-making contract with customers, a provision is recognized and valued insofar as the unavoidable costs for completing the contracts are higher than the contract price.

Restructuring liability

This provision relates to costs in connection with the restructuring of operations and is formed if effectively or legally a commitment for TKH has arisen. A provision is formed if a plan has been formalized as at balance sheet date and either the legitimate expectation has arisen with the people involved that the restructuring will be implemented, or that a start has been made with implementing the restructuring plan.

Other provisions

Unless stated otherwise, the other provisions are valued at the nominal value of the expenditure that are estimated to be necessary to settle the respective obligations.

Deferred tax

Deferred tax relates to temporary differences between the value in the financial statements and the value for tax purposes. No deferred tax is recognized for non-deductible goodwill and subsidiaries and associates included in the participation exemption. Deferred tax assets are only recognized to the extent that it is probable that they can be realized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. In assessing the recoverability of deferred tax assets, TKH relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Changes in deferred tax are recognized immediately in the statement of profit and loss, with the exception of deferred tax that relates to items that are recognized in the OCI or directly in equity.
TKH offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Turnover

The turnover includes the net turnover, as well as other revenues. Net turnover is the revenue from products and services delivered to third parties during the year under the deduction of discounts, bonuses and stock returns. Revenue is measured on the basis of the consideration set out in a contract with a customer. Products are regularly sold with volume discounts based on total sales over a period of one year. Revenues from these sales are recognized on the basis of the price specified in the contract, after deduction of the estimated volume discounts. Revenue is only recognized to the extent that it is highly probable that a reversal will not take place. A refund liability, included in the other current liabilities, is recognized for expected volume discounts payable to customers in connection with sales made until the end of the reporting period. There is no financing element applicable because the sales take place with a relatively short credit term, which is consistent with market practice.
The obligation to repair or replace defective products under the standard warranty conditions is recognized as a warranty provision. In addition, TKH offers to a limited extent an extended warranty that is sold together with products and systems. Two performance obligations can be

distinguished in such contracts, namely the delivery of products and services and the service-type warranty. Using the relative stand-alone sales price method, a portion of the transaction price is allocated to the service-type warranty and recognized as a contract liability. Revenue is recognized on a straight-line basis over the period in which the service-type warranty is granted based on the time elapsed.

The turnover of TKH consists of products and services within the business segments Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems that are delivered to customers as a separate product/service or as a total solution. TKH recognizes revenue when control of a product or service is transferred to a customer. In the following overview the revenue recognition per segment is further elaborated.

Segment	Products and services	Nature and timing of fulfillment of performance obligations
Smart Vision systems	Vision technology represents about 85% of the turnover of the Smart Vision systems segment and consists of 2D & 3D machine Vision and Security Vision technology. The technologies are combined with software to create smart technologies and one-stop-shop solutions with plug-and-play integrated systems. Our Machine Vision technology systems improve quality inspection, operation, and object monitoring within various industries such as consumer electronics, factory automation, ITS, medical and life sciences. Our Security Vision systems, combined with advanced communication technologies, enable the customers to manage and control the urban environment efficiently. Simultaneously, the technologies improve sustainability factors, safety and security in various markets such as Infrastructure, Parking and Building security.	A large part of the revenue in Smart Vision systems is accounted for when the products are transferred to the customer in accordance with the delivery conditions of the sales contract and there is no unfulfilled obligation that could affect the customer's acceptance. A receivable is recognized at that moment because the consideration has become unconditional and only the passage of time is required before the payment is due. To a lesser degree also the following revenue streams exist: • *Customer-specific products and systems (including software products):* Customer-specific products and systems: A number of products and systems are designed or adapted to customer-specific requirements. TKH recognizes turnover over a period if (i) the customer has control during the creation or improvement of the product / system or (ii) a product/ system is created without alternative use and TKH has an enforceable right to payment for the work performed. Examples of (i) include parking guidance that are built up and commissioned on-site. Examples of (ii) are amongst others machine vision cameras constructed for a specific customer application and by TKH integrated security and communication systems. If the two conditions mentioned above are not met, revenue is only recognized at transfer date. For customer-specific systems, installation can be part of the transaction price. A distinction is made between configuration and the physical installation. The configuration is an integral part of the system sold, while the installation is often regarded as a separate service that is usually outsourced to third parties. The installation services to be delivered are separately identifiable and accordingly the transaction price is attributed to the system and the installation based on the relative stand-alone selling prices. Installation is a performance obligation that is fulfilled over time. If revenue is recognized over a period, this is based on the stage of completion of the contract. The progress is determined on the basis of the input method based on a cost price method. Which means, the part of the contract costs incurred for the work that has been carried out to date in relation to the estimated total contract costs. For the payments due by the customer, which according to the contract cannot yet be invoiced, a contract asset is recognized for the period in which the work has been carried out. This contract asset reflects the right to compensation for work performed to date. If more is invoiced than has been performed to date, a contract liability is recorded. Contract liabilities are recognized as revenue when TKH performs under the contract. • *Maintenance and licenses:* Maintenance and licenses are part of the transaction price for a number of products and systems. These relate to activities that may have to be carried out during a certain period after sale. This period can thereafter be extended by the customer at then applicable prices. Maintenance and licenses are considered as a separate service. A part of the transaction price is therefore allocated to these services based on their stand-alone selling price. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sale transaction and is subsequently recognized as revenue on a straight-line basis over the contract period.

Segment	Products and services	Nature and timing of fulfillment of performance obligations
Smart Manufacturing systems	TKH engineers complete manufacturing systems and machines that contribute to super-efficient manufacturing and processing. Systems engineering and assembly, control and analysis software, as well as connectivity and vision technology, are the basic building blocks for the distinctive Smart Manufacturing systems supplied to various industries such as car and truck tire production, factory automation, and care solution by providing medicine distribution machines. Tire Building systems represents about 75% turnover share of Smart Manufacturing systems segment.	The majority of the revenue within Smart Manufacturing systems qualifies as *Customer-specific products and systems* for which recognition is already described at Smart Vision systems. Examples are tire building, medicine distribution and industrial automation systems. In contrast to Smart Vision systems, for the tire building activities the installation is regarded as an integral part of the performance obligation to the customer, because on-site systems are constructed, configured and tested by employees. The remainder of the revenue relates to standardized products and is accounted for when the products are transferred to the customer in accordance with the delivery conditions of the sales contract and there is no unfulfilled obligation that could affect the customer's acceptance *Sales commissions:* Agents are used, who earn a sales commission on the revenue collected. These incremental costs for obtaining a contract are directly related to the sales that were realized in a certain period. The sales commissions, mostly paid before start of the contract, are capitalized as contract costs and amortized over the expected contract period.
Smart Connectivity systems	TKH makes advanced Connectivity systems and engineers complete Smart Connectivity systems with a unique integrated system approach and sustainability proposition. Energy and Digitalization represent about 39% and 33% turnover share of the Smart Connectivity systems segment. Our connectivity systems are developed for on-shore and off-shore energy distribution. Our Fibre Optic connectivity systems are manufactured for data and communication networks. In addition, TKH produces specialized cable systems for diverse industrial automation applications in high-tech environments, such as the industrial, marine & offshore and medical sectors. Our advanced connectivity technology for contactless energy and data distribution (CEDD) for airfield ground lighting systems is a connectivity system consisting of both hardware components and software, to further improve the efficiency and safety of specific airfield applications.	The majority of revenue relates to *standardized products* and are accounted for in a similar way as described above. Customer-specific products and systems for which there is no enforceable right to payment for the work that has already been performed, are also recognized as revenue in the same way. *Customer-specific products and systems* are accounted for in the same way in Smart Vision systems. Examples are special cable and cable systems for machines, robots, medical applications and subsea cable systems.

Operating expenses

General

The cost of production and other expenses directly related to ordinary operational activities, which underlie the turnover, are stated as operating expenses.

Government subsidies

Government subidies are recognized when there is reasonable assurance that the grant will be received and all conditions will be met. Government subsidies are recognized in the statement of profit and loss in the same period as the expenses to which they relate. The subsidy is deducted from the related costs. Grants related to fixed assets are deducted from these assets and credited to the profit and loss account over the expected useful life of the asset concerned.

Share-based payments

TKH has a stock option and a share scheme, which both qualify as share-based payments:

- The stock options are settled in equity instruments. They are valued at fair value at the date they were granted. The fair value is calculated by using an option pricing model that takes into account market related vesting conditions attached to the granting of the options. The fair value is charged to the profit and loss account over the period between the granting of the options and the time that the share options vest, adjusted for the expected number of share options to be exercised.
- The shares issued free of charge are also settled in equity instruments and are measured at the grant date at fair value. The fair value is determined based on the prevailing share price at the time of grant. The fair value is charged to the profit and loss account in the year to which the grant relates.

Financial income and expenses

Financial income and expenses comprise the interest received from or paid to third parties relating to the year under review. Interest is recognized according to the effective interest method. The interest income and the interest expenses on bank accounts that belong to one and the same interest compensation system are set off. The interest balance of the interest combination is stated under interest income or interest expenses. Financial expenses related to the construction of property, plant and equipment have been recognized as part of the asset. Translation differences on sale and purchase transactions are classified under financial income and expenses.

Tax

Tax is calculated on the result before tax, taking into account the prevailing tax rates and tax legislation in the different countries. Tax is accounted for in the statement of profit and loss, unless it relates to items directly recognized in the OCI, in which case taxes are also accounted for in the OCI. In addition to the tax directly payable or receivable for the reporting year, the item also includes the changes in the deferred tax assets and liabilities and adjustments to tax assessments from previous years.

Non-controlling interest

This item comprises the share of third parties in the results and equity of subsidiaries according to TKH's accounting principles.

Cash flow statement

The cash flow statement has been drawn up using the indirect method. With this method, the operating result is adjusted for items in the statement of profit and loss that have no impact on receipts and payments in the year under review and changes in items in the balance sheet and statement of profit and loss whose income and expenses are not considered to belong to the operational activities. The cash position in the cash flow statement consists of cash and cash equivalents less short-term borrowings included in cash pools as this is part of the daily cash management.
Cash flows in foreign currencies are converted at an average exchange rate. Exchange differences with respect to cash and cash equivalents are presented separately in the cash flow statement. Income taxes, paid and received interest are included in the cash flow from operating activities. Received dividends are included in the cash flow from investment activities, while paid dividends are included in the cash flow from financing activities. The purchase price of acquisitions is included in the cash flow from investing activities, to the extent that payment has taken place in cash or cash equivalents. Cash and cash equivalents that are present in the acquired subsidiaries are subtracted from the purchase price. Transactions, which do not involve a cash exchange, are not included in the cash flow statement. The payments of the lease terms are presented as repayments on loans for the repayment component of debt (cash flow from financing activities) and as paid interest for the interest component (cash flow from operating activities). Payment of lease installments that are not included in the lease obligation included in the balance sheet (including leases of assets with a low value or with a term of less than one year) are included under cash flow from operating activities. Payments and proceeds on borrowings are presented on a net basis due to the high flexibility and turnover in relation to utilizations and repayments.

2 Significant judgments, estimates and assumptions

In preparing the consolidated financial statements management has made judgments, estimates and assumptions. These judgments, estimates and assumptions affect the reported amounts of assets and liabilities, revenues and expenses and disclosed contingent assets and liabilities at the date of the financial statements. The actual outcome can vary from these judgments, estimates and assumptions. All assumptions, expectations and forecasts used as a basis for judgments in the consolidated financial statements are as good as possible a reflection of the forecast of TKH. Management is of the opinion that a reasonable basis exists for the assumptions, expectations and forecasts. Judgments are related to known and unknown risks, uncertainties and other factors that can lead to future results and performances that significantly vary from those forecasted. Significant judgments, estimates and assumptions are described hereafter.

Fair values

TKH periodically reviews the significant fair value changes regarding specific positions in the financial statements. In case external information is used to determine the fair value, TKH reviews the evidence obtained from these third parties to verify if these valuations meet IFRS requirements, including the level of hierarchy of the fair values in which these valuations are classified. TKH applies the following hierarchy for determining the fair value of financial instruments:

- Level 1: Price quotations on active markets for identical assets and liabilities.
- Level 2: Other inputs than quoted prices included in level 1, that are either directly or indirectly observable for the asset or liability. TKH makes use of derivatives valuation reports of financial institutions. These valuations are checked with interest rates, interest curves and exchange rates that are regularly published.
- Level 3: Calculations that use input variables that have a significant effect on the fair value and that are not based on available market quotations. Here TKH may use valuations by independent appraisers.

The table below shows the hierarchy and carrying amounts of the assets and financial instruments that are recognized in the balance sheet at fair values:

in thousands of euros	Notes	Hierarchy	2023	2022
Assets				
Financial assets at fair value through P&L		Level 3	407	407
Interest rate swaps	20	Level 2		97
Foreign currency forward contracts	20	Level 2	1,182	40
Commodities (derivatives)	20	Level 2	1,085	381
Total			**2,674**	**925**
Liabilities				
Interest rate swaps	20	Level 2	155	
Foreign currency forward contracts	20	Level 2	2,610	5,704
Commodities (derivatives)	20	Level 2	181	891
Total			**2,946**	**6,595**

The fair value of the financial assets measured at fair value with recognition of the change in value through the statement of profit and loss is calculated on the basis of expected cash flows discounted at the estimated market interest rate. Credit risks are taken into account in this market interest rate. TKH has concluded derivatives with various financial institutions with an investment grade rating. Interest rate swaps, forward exchange contracts and forward contracts on commodities are valued based on present value calculations using market data, such as the credit quality of counterparties, base spreads, spot and forward prices, yield curves and forward curves. More information about the assumptions for the determination of the fair value is included in the relevant explanatory notes.

Price, credit, interest and currency risks

Note 20 contains information about these risks.

Intangible assets and goodwill related to acquisitions

In the financial statements a material amount has been reported for intangible non-current assets acquired in an acquisition. The first recognition of these assets at fair value has been determined on the basis of valuation models. The outcomes are largely dependent on management estimates with respect to the assumptions used (such as growth percentages, royalty fees, economic life) and future expectations. The difference between the purchase price and the acquired net fair value of the identifiable assets and liabilities is recognized as goodwill. Note 1 and 3 includes information about intangible assets and goodwill.

Impairments and valuation of tax-losses

Information about impairment testing is included in note 3. TKH regularly invests in R&D (capitalized development costs), production facilities and new, innovative processes with the aim of developing a distinctive product portfolio. Particularly where TKH still has a small market position, the degree of management estimates with regard to learning curve developments, capacity utilization and development of returns is higher. On the other hand, management involvement is larger. TKH has valued tax deductible losses, whereby the entity concerned has incurred a loss in the current and/or previous financial year. In these cases, the recognition and measurement of these deductible losses are based on financial forecasts supported by a profitable order book. It should be noted that these deductible losses often originate from the start-up period of new activities and/or innovations.

Contracts with customers

TKH develops, produces or configures products and systems on behalf of customers on which revenue is recognized over a period of time. As a result, profit is recognized over time based on the expected profit on the contract and the estimated level of progress. This estimate makes use of detailed calculations that are specified for each performance obligation in a contract. Based on the realization and estimates of project managers and controllers, new estimates are drawn up periodically for each contract. These are reviewed by local management and then used as the basis for the costs and revenue to be recognized. In a new innovative portfolio and/or production process, the uncertainty in management estimates can be significantly higher than in other projects due to the lack of historical experience figures and the learning curve that needs to be going through.

Financial liabilities for earn-out and put option agreements

In the financial statements, financial liabilities are recognized for obligations related to earn-out agreements and put options granted to shareholders of non-controlling interests. The financial liabilities for earn-out and put options are based on estimates of future operating results and are derived from business plans of the companies concerned.

Other provisions

The other provisions relate amongst others to onerous contracts, warranty liabilities, claims, jubilee arrangements and restructuring liability. These provisions are based on estimates and available information. With regard to onerous contracts with customers, reference is made to the previous paragraph 'contracts with customers'. With regard to the restructuring liability further reference is made to note 13.

Extension options of lease contracts

When TKH has the option of renewing a lease, management uses its judgment to determine whether it is reasonably certain that an option would be exercised. Management takes into account all the facts and circumstances, including their past experience and any costs that will be incurred to change the asset if no extension option is taken, to determine the lease term.

Geopolitical developments

Geopolitical developments (such as the Russia-Ukraine conflict), economic and political confrontations between world powers (trade tariffs, availability and price of energy), the erosion of trade agreements, climate change and the impact of (global) inflation as well as a potential recession can impact TKH's turnover and results. Reference is made to the paragraph 'Risk management' as included in the Management report for further disclosures on these risks. These risks have been weighed in making judgements and applying estimates, amongst other valuation of customer contracts, impairment analysis and determining the useful live of our assets.

Climate change

TKH has considered the impact of climate change scenario's (including rising temperatures, resulting in flooding or extreme weather) on the estimates and judgements used in preparing the financial statements. The following items were considered:

- The impact on the residual values and useful lives of assets
- Recognition and measurement of provisions and contingencies
- Impairment indications and the forecast of cash flows used in the impairment testing of goodwill and non-current assets.

No material impact from (acute) climate change risks on the financial reporting was identified and as a result the valuation of assets and/or liabilities was not significantly impacted. Due to the locations of our (production) facilities and the nature of our activities, the risk is considered limited for TKH for the foreseeable future from a valuation and impairment perspective.

3 Intangible assets and goodwill

in thousands of euros	Notes	Goodwill		Brand names, customer relations and intellectual property		Development costs		Patents, licenses, software and trademarks		Total	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Historical cost at 1 January		**303,067**	**300,812**	**290,841**	**287,945**	**292,876**	**269,309**	**75,626**	**68,441**	**962,410**	**926,507**
Accumulated amortization and impairment losses		2,323	2,323	205,411	187,269	165,173	149,599	55,658	50,254	428,565	389,445
Book value at 1 January		**300,744**	**298,489**	**85,430**	**100,676**	**127,703**	**119,710**	**19,968**	**18,187**	**533,845**	**537,062**
Purchases and capitalization						41,847	37,843	11,281	8,063	53,128	45,906
Acquisitions	34	17,866	853	18,003	1,107	2,783		11		38,663	1,960
Reclassification from property, plant and equipment	4					456		1		457	0
Reclassification to assets held for sale		-115						-252		-367	0
Reclassifications			102		39	225	-15	-226	-126	-1	0
Disposals									-13	0	-13
Amortization	27			-16,522	-17,131	-33,522	-30,827	-6,816	-6,226	-56,860	-54,184
Impairment losses	28					-1,790	-48			-1,790	-48
Exchange differences		-440	1,300	-238	739	-688	1,040	-13	83	-1,379	3,162
Book value at 31 December		**318,055**	**300,744**	**86,673**	**85,430**	**137,014**	**127,703**	**23,954**	**19,968**	**565,696**	**533,845**
Accumulated amortization and impairment losses		2,323	2,323	199,633	205,411	197,861	165,173	60,815	55,658	460,632	428,565
Historical cost at 31 December		**320,378**	**303,067**	**286,306**	**290,841**	**334,875**	**292,876**	**84,769**	**75,626**	**1,026,328**	**962,410**

The impairments of development costs relate to discontinued R&D projects due to unfavorable technological and/or market developments.
Goodwill is allocated to reporting segments, which are considered as cash generating units ('CGU') for goodwill impairment testing purposes. Impairment is assessed at this level. The goodwill is allocated as follows:

in thousands of euros	Goodwill		Discount rate before tax		Functional currency
CGU	2023	2022	2023	2022	
Smart Vision systems	257,909	240,478	10.5%	11.4%	EUR/USD
Smart Manufacturing systems	9,603	10,530	12.0%	12.4%	EUR
Smart Connectivity systems	50,543	49,736	10.3%	10.9%	EUR
Total	**318,055**	**300,744**			

The recoverable amount of the cash generating units, in which goodwill has been reported, is based on the value in use. The value in use is based on estimated future cash flows. These forecasts are derived from the internal business plans, which are drawn up annually and have a horizon of five years. These business plans contain financial budgets and have been prepared by local management and are approved by the Executive Board. Cash flows after the financial budget period have been extrapolated, taken into account an annual growth of 2.00% (2022: 2.17%). The future cash flows are discounted at the discount rate shown in the table, which is based on the risk profile of the CGU. Based on the assumptions, the impairment test did not lead to impairments at year-end 2023.
Inherent to the applied calculation methodology, a change in the assumptions can lead to a different conclusion regarding impairment. For all CGU's a sensitivity analysis was performed, in which:

- absolute EBITDA decreases by 10%, or
- the discount rate increases by 1%, or
- the annual growth rate after the financial budget period decreases by 0.5%.

Other parameters remain constant. The amounts relate to the impact on the recoverable amount based on the sensitivity analysis. This sensitivity analysis does not take any cost savings into account in order to maintain profitability.

in millions of euros	Decrease EBITDA by 10%	Increase discount rate by 1%	Decrease growth rate by 0.5%	Combination of all assumptions
Smart Vision systems	-150.0	-152.6	-57.5	-314.8
Smart Manufacturing systems	-109.0	-101.2	-38.2	-221.0
Smart Connectivity systems	-192.9	-218.9	-86.9	-436.3

These scenarios do not lead to an impairment in any of the CGUs in connection with the available headroom between the recoverable amounts and the carrying amounts.
The market capitalization of TKH amounted to € 1.572 million on December 31, 2023 and was significantly higher than the book value of the net assets of TKH.

4 Property, plant and equipment

		Land and buildings		Machinery and installations		Other equipment		Operating assets in progress		Total	
in thousands of euros	Notes	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Historical cost at 1 January		**199,912**	**194,223**	**269,248**	**264,300**	**159,380**	**147,717**	**74,452**	**5,281**	**702,992**	**611,521**
Accumulated depreciation and impairments		101,688	96,381	186,902	180,925	118,974	111,245	483	483	408,047	389,034
Book value at 1 January		**98,224**	**97,842**	**82,346**	**83,375**	**40,406**	**36,472**	**73,969**	**4,798**	**294,945**	**222,487**
Purchases		20,732	6,230	24,888	10,715	19,983	15,600	114,428	73,019	180,031	105,564
Acquisitions		5,112		51		493				5,656	0
Disposals			-44	-283	-236	-239	-214	-98		-620	-494
Depreciation	26	-7,198	-6,650	-12,134	-12,190	-13,242	-12,687			-32,574	-31,527
Impairments	28	-76		-193		-6	-25	-426		-701	-25
Reclassifications		5	-32	-475		-17	24	478	8	-9	0
Reclassification from/to intangible assets	3			23		535		-1,015		-457	0
Reclassification to assets held for sale	34	-495		-2,246		-7,642		-336		-10,719	0
Exchange differences		100	-576	-779	-348	-57	-92	1,203	-44	467	-1,060
Commissioning of assets in progress		21,883	1,454	4,336	1,030	8,736	1,328	-34,955	-3,812	0	0
Book value at 31 December		**138,287**	**98,224**	**95,534**	**82,346**	**48,950**	**40,406**	**153,248**	**73,969**	**436,019**	**294,945**
Accumulated depreciation and impairments		101,644	101,688	184,503	186,902	124,759	118,974	910	483	411,816	408,047
Historical cost at 31 December		**239,931**	**199,912**	**280,037**	**269,248**	**173,709**	**159,380**	**154,158**	**74,452**	**847,835**	**702,992**

The purchases in ‘Operating assets in progress’ relate for a large part to our Strategic Investment Program to further increase our global production capacity to respond to the increased market demand in the fields of electrification, most noticeably with our new plant for inter-array cable in Eemshaven. In 2023 an amount of € 5.0 million (2002: nil) was capitalized relating to borrowing costs.

5 Right-of-use assets

TKH has lease contracts for various land and buildings, vehicles and other equipment used in its activities. Land and building lease agreements generally have a duration of between 3 and 29 years, while vehicles and other equipment generally have a duration of between 3 and 5 years.

		Land and buildings		Machinery and installations		Other equipment		Total	
in thousands of euros	Notes	2023	2022	2023	2022	2023	2022	2023	2022
Book value at 1 January		**69,415**	**62,245**	**73**	**7**	**5,824**	**6,545**	**75,312**	**68,797**
Purchases		13,960	16,087	121	75	4,508	2,928	18,589	19,090
Acquisitions		346				578		924	0
Disposals		-74	-312			-219	-178	-293	-490
Reassesment		7,390	3,011			675	-400	8,065	2,611
Depreciation	26	-12,723	-11,373	-66	-9	-3,550	-3,058	-16,339	-14,440
Impairments	28	-1,230	-380				-1	-1,230	-381
Exchange differences		-341	137			-8	-12	-349	125
Reclassification to assets held for sale	34	-618				-49		-667	0
Book value at 31 December		**76,125**	**69,415**	**128**	**73**	**7,759**	**5,824**	**84,012**	**75,312**

The impairments relate to the vacancy of rented buildings, as a result of a too low occupancy and/or a slowdown in revenue growth from rented buildings.

In 2023, the costs related to variable lease payments that were not included in the lease obligation amounted to € 3.2 million (2022: € 2.9 million). The costs of leasing assets with a low value amounted to € 0.2 million (2022: € 0.2 million) and the costs of leases with a term of less than one year amounted to € 1.7 million (2022: € 1.8 million). There are no leases with a residual value guarantee and as at December 31, there are no obligations with regard to lease agreements that have not yet been started.
See note 18 for the lease liability. See note 30 for the interest charges on lease obligations. See the consolidated cash flow statement for the lease payments. The total cash outflow from leases in 2023 was € 21.6 million.

6 Associates

TKH owns direct or indirect the following relevant associates:

	Place	Country	Ownership and control		Operating segment
Name of associate			2023	2022	
Speed Elektronik Vertrieb GmbH	Schwelm	Germany	25.0%	25.0%	Smart Connectivity systems
Shin-Etsu (Jiangsu) Optical Preform Co. Ltd.	Jiangyin	PR China	12.5%	12.5%	Smart Connectivity systems
Commend Australia Integrated Security and Communication Systems Pty Ltd.	Melbourne	Australia	49.0%	49.0%	Smart Vision systems
Traff Is BV	Hedel	Netherlands		33.3%	Smart Connectivity systems
P + S Technik GmbH	Ottobrunn	Germany	23.2%	23.2%	Smart Vision systems
SCS Wagram Holding	Paris	France	40.0%		Smart Connectivity systems

At the end of September 2023 TKH divested its TKH France activities to private equity group Argos Wityu. The activities have been continued by a newly established company under the name SCS Wagram Holding, in which TKH acquired a minority interest of 40%. The financial data included below are preliminary figures for the period of the interest.
The determination of the fair value of the acquired net assets is still in progress. The remeasurement included in the valuation of this associate is included in the legal reserve for participations. Despite the 12.5% interest in the associate Shin-Etsu (Jiangsu) Optical Preform Co. Ltd., TKH has significant influence over the financial and operating policies. The associate is an important manufacturer of preforms (semi-finshed product for the production of fibre optics) for TKH. The strategic shareholding is linked to a right to 50% of the production capacity of this plant. TKH provides one of the three Supervisory Board members.

The overview below shows the summarized financial information of the associates on the basis of the most recent available information, where the financial data are included based on the share of interest in these companies. Of the 'summarized financial information' a large part relates to Shin-Etsu (Jiangsu) Optical Preform Co.Ltd.

in thousands of euros	Assets	Liabilities	Turnover	Net result	Other comprehensive income	Share in result of associates
Summarized financial information 2023 of SCS Wagram Holding	55,671	32,194	11,844	-1,153		-1,153
Summarized financial information 2023 excl SCS Wagram Holding	18,145	5,618	5,999	-2,315		-2,156
Summarized financial information 2022	19,196	6,992	7,212	-237		-267

The interest in Cable Connectivity Group B.V. was reclassified to Assets held for sale in 2022.
Movements in the associates are as follows:

in thousands of euros	2023	2022
Balance at 1 January	**12,204**	**28,699**
Acquisition of an interest	27,624	
Share in result of associates	-3,309	3,075
Dividend received		-196
Reclassification to Assets held for sale		-19,219
Exchange differences	-532	-155
Balance at 31 December	**35,987**	**12,204**

7 Inventories

in thousands of euros	2023	2022
Raw materials	181,800	162,970
Work in progress	70,794	59,834
Finished goods	150,665	163,109
Inventories	**403,259**	**385,913**

An amount of € 776.8 million is reported in the statement of profit and loss for costs of raw materials, consumables and finished goods (2022: € 833.0 million). A part of inventories is valued at lower net recoverable amount. The book value of these written-down inventories is € 53.3 million (2022: € 27.0 million). The total write-down on inventories, based on aging analysis and sales statistics, in 2023 recognized in the statement of profit and loss is € 9.6 million (2022: € 7.0 million).

8 Trade and other receivables

in thousands of euros	Notes	2023	2022
Trade accounts receivable		218,074	220,826
Loss allowance	20	-5,997	-6,300
Derivatives	20	2,266	518
Receivables from related parties	33	1,077	509
Prepayments and accrued income		13,038	15,892
Other short-term receivables		15,164	17,893
Long-term receivables		752	613
Receivables		**244,374**	**249,951**

The amounts on the left are expected to be settled within 12 months. The receivables are mainly held according to a 'held-to-collect' business model. For the other part TKH applies non-recourse factoring that transfers the ownership of the trade receivables and the associated risks to a factoring company. At the end of 2023 receivables with an amount of € 40.9 million are sold to a factoring company (2022: € 45.4 million) and were subsequently derecognized. The trade receivables are non-interest bearing and generally have a payment term between 14 and 90 days. Credit risk is further described in note 20.

9 Contract assets

The following table provides information on receivables, capitalized contract costs, contract assets and contract liabilities from contracts with customers.

in thousands of euros	2023	2022
Trade accounts receivable	218,074	220,826
Contract assets	217,123	204,142
Contract liabilities	-176,130	-186,473
Refund liabilities from customer volume rebates	-13,826	-15,238
Contract costs	8,014	3,480

The contract assets mainly relate to the rights of TKH to consideration for work performed, but which have not yet been invoiced on balance sheet date. The contract assets are reclassified to receivables when the rights become unconditional. The contract liabilities mainly relate to the advance payment received from customers, of which the revenues are recognized at the performance of the contracted work. A large part of the contract assets and liabilities relates to the segment Smart Manufacturing systems. The changes in the balance of contract assets and liabilities during the financial year are as follows:

	Contract assets		Contract liabilities	
in thousands of euros	2023	2022	2023	2022
Revenue recognized that was included in the contract liability balance at the beginning of the period			186,473	127,044
Increases due to cash received, excluding amounts recognized as revenue during the period			-176,130	-186,473
Transfers from contract assets recognized at the beginning of the period to receivables	-204,142	-150,131		
Increases as a result of changes in the measure of progress	217,123	204,142		

The commissions paid to agents for obtaining the contracts are expected to be recovered and are therefore capitalized as contract costs. Capitalized commissions are amortized when the related revenue is recognized. In 2023, amortization amounted to € 4.8 million (2022: € 5.2 million), which is included in the statement of profit and loss under raw materials, consumables, trading products and outsourced work.

There was no impairment in the financial year in respect of the capitalized contract costs. The restitution obligations for agreed customer volume discounts are mostly annual bonuses based on revenue tables. The accrual is calculated based on historical figures, revenue already realized and the outstanding order book.

The following table shows the expected future revenue with respect to contractual performance obligations that have not yet (or partially) been satisfied at balance sheet date.

in thousands of euros	2023	2022
Expected to be recognized as revenue within 1 year	785,077	716,910
Expected to be recognized as revenue between 1 and 2 years	166,885	206,372
Expected to be recognized as revenue after 2 years	18,143	48,625
Total	**970,105**	**971,907**

10 Cash and cash equivalents

in thousands of euros	2023	2022
Cash and bank balances as included in the cash flow statement	69,294	78,387
Cash at companies assets held for sale	-57	-63
Cash and bank balances in cash and interest pools	24,460	106,235
Cash and bank balances	**93,697**	**184,559**

Cash and cash equivalents consist of cash and bank balances and deposits that are direct available on demand.

11 Equity

The group equity is disclosed in the Consolidated statement of changes in group equity and in note 8 of the company-only financial statements.

12 Non-controlling interest third parties

Some subsidiaries are or were not fully owned by TKH during the year at any time. Theses third party non-controlling interests are not significant:

	Result non-controlling interests		Cumulative non-controlling interests	
	2023	2022	2023	2022
Various non-controlling interests	58	43	148	168

13 Other provisions

The long-term provisions have been discounted. The increase of the provision in the year as a result of expiration of time and adjustment of the discount rate is not significant. The short-term provisions have not been discounted since the effect is not material. The short-term part of the provision is mainly related to reorganizations and warranties. The term of the other provisions is as follows:

in thousands of euros	2023	2022
Other long-term provisions	12,740	6,798
Other short-term provisions	19,209	20,798
Other provisions	**31,949**	**27,596**

The breakdown and movement of the other provisions is as follows:

in thousands of euros	Warranty	Employee liabilities	Onerous contracts	Dismantling	Other	Total
Balance at 31 December 2022	**6,364**	**3,281**	**12,212**	**261**	**5,478**	**27,596**
Additions	4,482	448	3,446	4,637	3,796	16,809
Releases	-1,745	-40	-5,309		-2,150	-9,244
Acquisitions	140					140
Utilized	-1,707	-209	-1,313		-54	-3,283
Other reclassifications	151					151
Exchange differences	-40	-12	-127	3	-44	-220
Balance at 31 December 2023	**7,645**	**3,468**	**8,909**	**4,901**	**7,026**	**31,949**

Provision for warranties

The provision for warranties is related to warranties on delivered products and services under the standard warranty conditions. The purpose of the provision is to cover costs arising if products and services supplied do not meet the agreed specifications and quality requirements under normal conditions of use. The provision is based on judgments by using historical warranty data relating to comparable products and services and known warranty claims at balance sheet date. In general the recorded liabilities are expected to arise in the next one to three years.

Employee liabilities

The provision for employee liabilities mainly relates to defined jubilee arrangements and is in general long-term.

Onerous contracts

The provision for onerous contracts mainly relates to contracts with customers, from which the revenue is recognized over a period of time. This mainly concerns contracts in the segment Smart Manufacturing systems, which relate to new technologies and sometimes in combination with newly acquired customers. Because of the strategic importance of these contracts for the future revenue and profit development of TKH, these have been accepted with a negative or a limited margin at order acceptance. The duration of a project under such a contract is normally shorter than one year, but for larger framework agreements, subprojects can be executed and concluded in different years. Additions and releases to this provision are mostly presented as costs of 'Raw materials, consumables, trade products and subcontracted work'.

Dismantling obligation

The provision mainly relates to the costs to restore leased assets to its original condition as required by the terms and conditions of that specific lease. The provision is valued at the best estimate of the future expenditure that would be required to restore the assets. This is a long-term provision, which has been discounted at a rate of 4.66%.

Other items

The other items also relate to reorganizations, claims, matters of dispute, guarantees which are expected to be claimed and other contractual obligations. The restructuring provision relates mainly to the lay-off of employees and the remaining term is less than 1 year. The recognized provisions have been based on the best estimate, made on the basis of currently available information and will mainly have a term no longer than one year. There is no asset recognized for expected compensation fees from third parties in relation to the reported provisions.

14 Other financial liabilities

The movement of the financial liabilities is as follows:

in thousands of euros	Earn-out	Put options of holders of non-controlling interests	Total
Balance at 31 December 2022	**2,904**	**1,000**	**3,904**
Payment for acquisitions from previous years	-1,379		-1,379
Change in value through the profit and loss account	50	96	146
Exchange differences	1		1
Balance at 31 December 2023	**1,576**	**1,096**	**2,672**

in thousands of euros	2023	2022
Term shorter than 1 year	1,639	2,985
Term between 1 and 5 years	1,033	919
Financial liabilities	**2,672**	**3,904**

Earn-out

For several acquisitions, contractual arrangements have been made about earn-out payments, when certain targets are realized. The liability for earn-out payments has been determined on the basis of fair value of the expected future cash outflows.

Put options of holders of non-controlling interests

TKH has option rights on several non-controlling interests held by local management of subsidiaries of TKH. Besides, TKH has a liability to buy these shares when local management decides to offer these shares. A financial liability has been recognized for this obligation. On the balance sheet date, the following option rights and liabilities are outstanding:

Name of subsidiary	Percentage	Option exercisable as from
EFB Nordics A/S	10.0%	1 January 2014

The liability is based on the discounted value of the expected future cash outflows. The expected maturity of the above mentioned liabilities is equal to the period as from 31 December 2023 till the first possibility to exercise. The amount to be paid depends on the future results of the aforementioned subsidiaries. The year of the cash outflow is dependent on a decision to exercise by TKH or the option owner. An amount of €0.8 million has a maturity of shorter than 1 year.

15 Deferred tax

The deferred tax assets and liabilities relate to the following items of which the movements are also shown:

in thousands of euros	Property, plant and equipment and leases	Intangible assets and goodwill	Inventories and construction contracts	Provisions	Unused tax losses and credits	Financial instruments	Undis-tributed intragroup profits	Other	Total
Balance at 1 January 2022	**909**	**-51,985**	**-4,220**	**783**	**13,477**	**-279**	**-2,731**	**3,358**	**-40,688**
(Charge)/credit to other comprehensive income				-316		1,798			1,482
(Charge)/credit to profit or loss	-7	1,344	-607	7	-1,959		1,015	566	359
Acquisitions		-350							-350
Balance at 31 December 2022	**902**	**-50,991**	**-4,827**	**474**	**11,518**	**1,519**	**-1,716**	**3,924**	**-39,197**
(Charge)/credit to other comprehensive income				-15					-15
(Charge)/credit to profit or loss	-2,681	2,136	-51	697	711	-1,349	-1,144	4,068	2,387
Reclassification to assets held for sale			92						92
Reclassification to current income tax liabilities				-817					-817
Acquisitions		-4,348							-4,348
Balance at 31 December 2023	**-1,779**	**-53,203**	**-4,786**	**339**	**12,229**	**170**	**-2,860**	**7,992**	**-41,898**

Certain deferred tax assets and liabilities have been offset in accordance with the applicable principles in IFRS. The deferred tax assets and liabilities are recognized in the balance sheet as follows:

in thousands of euros	2023	2022
Deferred tax assets stated under non-current assets	15,824	13,271
Deferred tax liabilities stated under non-current liabilities	-57,722	-52,468
Deferred taxes	**-41,898**	**-39,197**

TKH has unused tax losses for which no deferred tax assets have been recognized because realization is uncertain. These unused tax losses can be compensated with future profits. Based on current tax legislation, these unused and unrecognized tax losses have the following terms:

in thousands of euros	2023	2022
Term infinite	47,006	49,551
Term longer than 10 years	15,268	11,812
Term between the 5 and 10 years		3
Term shorter than 5 years		5
Unrecognized tax losses and credits	**62,274**	**61,371**

The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, TKH has determined that it cannot recognize deferred tax assets on the tax losses carried forward. The unrecognized unused tax losses represent a value of € 14.6 million at the end of 2023 (2022: € 14.5 million) based on the applicable tax rates.

TKH has valued tax deductible losses, whereby the entity concerned has incurred a loss in the current and/or previous financial year. In these cases, the recognition and measurement of these deductible losses are based on financial forecasts supported by a profitable order book. It should be noted that these deductible losses often originate from the start-up period of new activities and/or innovations.

16 Pensions

Defined contribution plans

TKH's pension plans in the Netherlands differ per subsidiary. The pension scheme of a number of subsidiaries has been placed with the industry pension fund PME and PMT respectively. As of January 1, 2020, the employees of the other Dutch subsidiaries have a so-called individual defined contribution scheme, which is managed by Nationale-Nederlanden.The employees of the foreign subsidiaries are members of industry or state-managed pension plans. The subsidiaries are only required to pay a certain percentage of the salary costs to the concerning industry or state managed pension plans. These pension schemes classify as defined contribution plan. The pension schemes in the Netherlands, to the extent not already covered by the industry pension schemes, are recognized as a defined contribution scheme in the financial statements. The total pension expense recognized in 2023 related to the defined contribution plans amounts to € 20.7 million (2022: € 17.5 million). The industry pension plans are included in this pension expense. TKH expects for 2024 a pension expense of € 21.5 million for all defined contribution plans, of which about € 14.3 million relates to industry pension schemes.

Defined benefit plans

Multi-employer union plans

In the Netherlands 2,079 employees of TKH participate in the multi-employer union plans of ‘Pensioenfonds van de Metalektro’ (‘PME’) and 'Pensioenfonds Metaal & Techniek' ('PMT') in accordance with the collective bargaining agreements applicable for the industry in which the TKH companies operate. These collective bargaining agreements have no expiration date. PME covers approximately 1,400 companies and 340,000 participants and PMT approximately 34,000 companies and 1,400,000 participants. The pension rights of each employee are based upon the employee’s average salary during employment (depending on coverage ratio). TKH’s contribution to the multi-employer union plans are far less than 5% of the total contribution to the plans. The pension funds are subject to regulation by Dutch governmental authorities. By law (the Dutch Pension Act), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan assets to its obligations. The multi-employer union plans have reported the following coverage ratio at year-end:

	2023	2022
coverage ratio of PME	113.3%	111.7%
coverage ratio of PMT	109.8%	108.1%

The actual coverage ratio is calculated by dividing the plan assets by the total sum of pension liabilities. The coverage ratio is the average coverage ratio over the past 12 months. There are no additional contribution requirements for participating companies to prevent indexation cuts or lowering of pensions. The schemes qualify as defined benefit plans because the companies bear the risk that in the negotiation of the level of pension contributions after 2023 the social partners take the amount of a surplus or a deficit in the industry pension fund as part of the negotiations. As a result, future premiums may be somewhat related to deficits or surpluses that relate to pension entitlements accrued in the past. This concerns shortages or surpluses of current and former employees of TKH but also of other companies. In addition, there is no consistent and reliable basis for allocating the pension liability, assets and costs to individual companies participating in the industry pension scheme. TKH therefore classifies the multi-employer plans as if it were defined contribution plans (in line with IAS19.34), reference is made to the paragraph above. TKH’s net periodic pension cost for the multi-employer plan over a financial period is equal to the required contribution for that period.

Other pension schemes

There are some individual defined benefit plans abroad for a small number of participants. These defined benefits are accrued in the subsidiaries and are not covered by plan assets. The duration of the defined benefit obligations of these arrangements will be, on average, 10 years at December 31, 2023. Furthermore, there is legislation for the Austrian employees obligating to pay a onetime compensation at the end of the employment for employees working for the subsidiary before January 1, 2003. The amount of compensation depends on the years of service and the average salary in the last 3 years of service. The actuarial calculations for the pension schemes are performed by actuaries.

The following assumptions have been applied in the actuarial calculations:

	2023	2022
Discount rate before tax	3.2-4.2%	3.5-3.8%
General percentage salary increase	2.5%	2.5%

The following amounts are recognized in the balance sheet with respect to all defined benefit plans:

in thousands of euros	2023	2022
Present value of the defined benefit obligations	3,679	3,765
Fair value of the plan assets		
Net pension obligation	**3,679**	**3,765**

17 Non-current liabilities

in thousands of euros	Notes	2023	2022
Debts to credit institutions	18	498,879	431,746
To be amortized transaction costs for the credit facility		-1,819	
Long term lease liabilities (Right-of-use assets)		73,100	68,049
Other non-current liabilities		2,208	3,213
Interest-bearing loans and borrowings		**572,368**	**503,008**

The credit margin on the non-current debts to credit institutions is variable and dependent on the net-interest bearing debt/EBITDA, including the amount of the draw downs from the credit facility. On average the margin is 1.5%. The interest is variable and based on Euribor or SOFR.

The material subsidiaries are guarantor for the obtained financing. No additional securities were provided. See note 20 more details on the capital and liquidity risk.

18 Net interest-bearing debt

in thousands of euros	Notes	Term	Interest	Amount 2023	Amount 2022
Bank loans reported under non-current liabilities	17	2.1-4.1 years	Euribor + margin	498,879	431,746
Long term lease liabilities (Right-of-use assets)	17	1-29 years	2.5%	73,100	68,049
Short term lease liabilities (Right-of-use assets)		< 1 year	2.5%	14,054	14,028
Borrowings reported under current liabilities		< 1 year	Euribor/SOFR + margin	61,810	56,391
Cash and cash equivalents	10	< 1 year	Euribor/SOFR - margin	-93,697	-184,559
Net interest-bearing debt				**554,146**	**385,655**

At year-end 2023, € 24.5 million of the cash and cash equivalants forms part of cash and interest pools (2022: € 106.2 million). The interest on the borrowings is variable and based on Euribor or SOFR. The credit margins differ per credit institution, duration and country and vary from 1.0% to 1.5% (2022: 0.3% to 1.5%). The material subsidiaries are guarantor for the obtained financing from credit institutions. No special securities were provided. The credit margin for lease liabilities differ per right-of-use asset, duration and country with a weighted average of 2.5%. The obligations arising from leasing are guaranteed by the lessor's property right on the leased assets. See note 20 for more details on the capital and liquidity risk.

The overview below shows the changes in the interest-bearing liabilities arising from financing activities:

in thousands of euros	Borrowings reported under current liabilities 2023	Borrowings reported under current liabilities 2022	Bank loans reported under non-current liabilities 2023	Bank loans reported under non-current liabilities 2022	Total lease liabilities (Right-of-use assets) 2023	Total lease liabilities (Right-of-use assets) 2022	Total 2023	Total 2022
Balance at 1 January	**56,391**	**34,630**	**431,746**	**268,010**	**82,077**	**75,487**	**570,214**	**378,127**
Cash flows from financing activities	86,628	-51,186	62,050	163,543			148,678	112,357
Proceeds/(repayments) from cash pools	-81,775	73,381					-81,775	73,381
Payment of lease liabilities					-16,537	-14,746	-16,537	-14,746
Non-cash changes:								
- Acquisition of subsidiaries	340		2,413	140	924		3,677	140
- Reclassification to liabilities held for sale					-685		-685	0
- New leases and reassesments					21,724	17,570	21,724	17,570
- Amortized transaction costs			527				527	0
- Interest					1,746	1,695	1,746	1,695
- Effect of changes in exchange rates	226	-434	324	53	-2,095	2,071	-1,545	1,690
Balance at 31 December	**61,810**	**56,391**	**497,060**	**431,746**	**87,154**	**82,077**	**646,024**	**570,214**

The withdrawals and repayments of cash pools relate to changes in cash pools presented under cash and cash equivalents (note 10).

19 Trade and other payables

in thousands of euros	Notes	2023	2022
Trade creditors		201,351	232,608
Advance receipts		5,440	4,442
Other taxes and social insurance contributions		25,355	30,418
Derivatives	20	2,946	6,595
Refund liabilities from customer volume rebates	9	13,826	15,238
Other payables and accruals		108,327	95,613
Trade payables and other payables		**357,245**	**384,914**

The other payables and accruals relate to, among others, personnel bonuses to be paid, commissions, holidays and holiday allowances as well as accruals for invoices to be received. At the end of 2023, a number of suppliers made use of supply chain finance (reversed factoring) for a total of € 44.1 million (2022: € 46.3 million), which is recognized as trade payables.

20 Financial instruments and risks

General

The main financial risks faced by TKH relate to the capital and liquidity risk, interest risk, currency risk, credit risk and price risk. TKH's financial policy is aimed at minimizing the effects of fluctuations in currency exchange and interest rates on its results in the short-term and following market rates in the long-term. TKH uses derivatives to manage the financial risks relating to the business operations and does not undertake speculative positions. Financial risks and the control by management of these risks are disclosed in the chapter 'Risk management' in the annual report.

Capital and liquidity risk

External financing is contracted by the holding for the entire TKH Group. On February 13, 2023, TKH signed a new sustainability-linked € 625 million multicurrency committed credit facility, consisting of a revolving credit facility ("RCF") of € 500 million and a term loan of € 125 million. The new RCF replaces the previous committed RCF of € 500 million, which has been in place since January 2017. The new revolving credit facility of € 500 million has a maturity of 5 years, with two one-year extension options, subject to the banks' approval. The term loan of € 125 million has a maturity of 3 years. This refinancing is secured at comparable conditions to the previous committed credit facility. A sustainability-linked adjustment will provide for a maximum discount or premium of 2.5 basis points on the credit margin. After balance sheet date the execution of an one-year entension of the RCF has been agreed with the banks.

Next to the committed facility, there are uncommitted facilities with several banks for a total of € 310 million (2022: € 326 million). TKH has per December 31, 2023 unused available committed credit facilities of € 130 million (2022: € 70 million) and unsued available uncommitted credit facilities for a total of € 142 million (2022: € 287 million). The available credit facilities are reduced for the outstanding bank guarantees. The maximum credit facility per subsidiary is determined centrally.

In the credit facility the following financial covenant is agreed, which is tested on a quarterly basis:

	Covenant	Realization 31-12-2023	Realization 31-12-2022
Net debt compared to EBITDA (debt leverage ratio)	< 3.0	1.8	1.1

The debt leverage ratio is calculated excluding the impact of IFRS 16 Leases. Furthermore, it has been agreed with the banks that in the calculation of the debt leverage ratio acquisitions may be consolidated pro forma for 12 months. TKH uses internally a debt leverage ratio up to 2.0. TKH operates within the banks' required covenant at the end of 2023.

The following table provides an overview of the liquidity risk for the financial liabilities of TKH at the end of 2023 based on agreed repayment periods:

in thousands of euros	Average interest	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	Contractual cash flows	Book value
Bank loans reported under non-current liabilities	5.4%		6,735	20,205	570,687		597,627	498,879
Lease liabilities (Right-of-use assets)	2.5%		5,280	11,720	41,429	44,325	102,754	87,154
Financial liabilities	1.5%			1,639	1,283		2,922	2,672
Borrowings reported under current liabilities	5.4%	61,880					61,880	61,810
Trade creditors			201,351				201,351	201,351
Other payables excluding derivatives			122,153				122,153	122,153
Interest rate swaps (derivatives)			-91	-273	-1,444		-1,808	155
Foreign currency forward contracts (derivatives)			33,315	66,196	44,486		143,997	1,428
Commodities (derivatives)			-475	-444	15		-904	-904
Financial liabilities		**61,880**	**368,268**	**99,043**	**656,456**	**44,325**	**1,229,972**	**974,698**

The following table provides an overview of the liquidity risk for the financial liabilities of TKH at the end of 2022 based on agreed repayment periods:

in thousands of euros	Average interest	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	Contractual cash flows	Book value
Bank loans reported under non-current liabilities	1.5%		1,619	4,857	432,286		438,762	431,746
Lease liabilities (Right-of-use assets)	2.1%		6,210	11,040	37,768	41,522	96,540	82,077
Financial liabilities	1.5%			2,985	1,169		4,154	3,904
Borrowings reported under current liabilities	1.0%	56,403					56,403	56,391
Trade creditors			232,608				232,608	232,608
Other payables excluding derivatives			110,851				110,851	110,851
Interest rate swaps (derivatives)			-97				-97	-97
Foreign currency forward contracts (derivatives)			50,924	49,133	56,684		156,741	5,664
Commodities (derivatives)			595	-71	-14		510	510
Financial liabilities		**56,403**	**402,710**	**67,944**	**527,893**	**41,522**	**1,096,472**	**923,654**

The cash flows in these statements are not discounted. The cash flows are based on the interest rates and the exchange rates at the end of the year. The cash flows for interest rate swaps are based on the contracted fixed interest rates compared to the variable interest rate at balance sheet date. The interest rate swap and commodity derivatives are net settled. Currency contracts are gross settled. The following table shows the corresponding reconciliation of these amounts and their book value:

in thousands of euros	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	31-12-2023 Total
Incoming		32,467	65,723	44,406		142,596
Outgoing		-33,315	-66,196	-44,486		-143,997
Net	**0**	**-848**	**-473**	**-80**	**0**	**-1,401**
Discounted at contractual bank rates		-1,060	-458	90		-1,428

in thousands of euros	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	31-12-2022 Total
Incoming		48,439	46,679	55,569		150,687
Outgoing		-50,924	-49,133	-56,684		-156,741
Net	**0**	**-2,485**	**-2,454**	**-1,115**	**0**	**-6,054**
Discounted at contractual bank rates		-1,816	-2,955	-893		-5,664

Interest risk

The interest risk policy aims at minimizing the interest rate risks associated with the financing of the company and thus at the same time optimizing the net interest costs. Long-term financing has been obtained with a floating-rate and will partly be fixed by means of interest rate swaps, whereby TKH aims to fix 40-70% of the interest associated with the borrowing. During the past period of strong interest rates movements, TKH has chosen to hedge the interest rate risk below this mentioned bandwidth. The following table provides an overview of the, for hedging purposes, agreed interest rate swaps:

	Average contracted interest rate		Nominal amount		Fair value	
in thousands of euros (unless stated otherwise)	2023	2022	2023	2022	2023	2022
Maturity <1 year		0.45%		25,000		97
Maturity between 2 and 5 years	2.45%		25,000		-155	

Cash flow hedge accounting has been applied to all interest rate swaps mentioned above. There was no material ineffectiveness in relation to these hedges. The following sensitivity analysis of borrowings, bank credits and cash and related interest rate swaps to interest rate movements assumes an immediate 1% change in interest rates for all currencies and maturities, with all other variables held constant. A raise of the interest rates with 1% would result in:

- Additional interest costs of about € 5.6 million per year as a result of financing and cash with a floating interest rate (2022: € 3.6 million). The impact is reduced by existing interest rate swaps.
- An increase of the fair value of the financial instruments with about € 1.2 million (2022: € 0.1 million) as a result of the contracted interest rate swap. This raise would be recognized in the hedging reserves of the equity through the consolidated statement of comprehensive income

Currency risk

It is TKH's general policy to hedge currency risks on purchases if these risks cannot be charged to the market. Purchase transactions in foreign currencies are hedged when the sales prices are already fixed in case of material transactions. Sales transactions in foreign currencies are fully hedged in case of material transactions. The main currencies that cause this exposure are the USD and CNY. Foreign currency forward contracts are applied to minimize the exposure of fluctuations in the currency rates. These contracts mainly have a term to maturity of less than one year. In addition to the currency risk on the purchase and sale transactions, there is a currency risk resulting from the translation of net investments in TKH subsidiaries denominated in functional currencies other than euros. The main currencies that cause this exposure are the USD, CNY, and PLN. These risks are partially hedged by financing some of these investments in local currency. The remaining risk is not hedged. The carrying amounts of monetary assets and liabilities specified to currencies are as follows:

	Euro		USD		CNY		Other currencies		Total	
in thousands of euros	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Receivables	336,445	297,135	94,553	116,316	13,051	17,817	16,695	22,206	460,744	453,474
Cash and cash equivalents	33,723	121,435	18,881	22,318	20,012	17,219	21,081	23,588	93,697	184,560
Non-current interest-bearing loans and borrowings	-572,368	-503,008							-572,368	-503,008
Current interest-bearing loans and borrowings	-65,783	-29,834	-6,493	-35,702	-1,193	-1,188	-2,395	-3,695	-75,864	-70,419
Trade payables and other payables	-391,617	-446,146	-86,058	-62,830	-31,277	-36,666	-24,422	-25,745	-533,374	-571,387
Total	**-659,600**	**-560,418**	**20,883**	**40,102**	**593**	**-2,818**	**10,959**	**16,354**	**-627,165**	**-506,780**

On balance sheet date, TKH has entered into foreign currency forward contracts:

	Average contract rate		Nominal amount in foreign currency		Fair value	
in thousands of euros (unless stated otherwise)	2023	2022	2023	2022	2023	2022
Cash flow hedges of balance positions						
Sell USD with settlement within 3 months	1.10	1.14	-6,160	-11,368	177	-128
Buy CNY with settlement within 3 months	7.60	7.11	155,081	158,773	-875	-737
Cash flow hedges						
Sell USD with settlement within 3 months	1.10	1.14	-453	-6,169	1	-510
Sell USD with settlement between 3 months and 1 year	1.09	1.14	-32,402	-20,873	519	-1,670
Sell USD with settlement after 1 year	1.11	1.09	-49,157	-60,459	90	-893
Buy USD with settlement between 3 months and 1 year	1.11		3,769	0	25	0
Buy GBP with settlement between 3 months and 1 year		0.88		540		-6
Buy CNY with settlement within 3 months	7.61	7.12	52,772	86,402	-363	-441
Buy CNY with settlement between 3 months and 1 year	7.64	7.10	255,908	205,626	-1,002	-1,279
Total					**-1,428**	**-5,664**

Time differences between the settlement of the forward contracts and the sale and purchase contracts are anticipated by the use of foreign currency bank accounts or the rollover of forward contracts. The translation risk on financial instruments, when the euro will decrease with 10% compared to all other currencies, with all other variables held constant, would be expected to have an influence of € 10.4 million negative on the result before tax (2022: € 2.6 million negative). The foreign currency forward contracts are taken into account in this calculation. The impact of a decrease of the euro on the shareholders' equity is larger because of the net investments in foreign subsidiaries with another functional currency. The impact of this is approximately € 33.3 million positive (2022: € 28.9 million positive). An increase of the euro with 10% will have the opposite influence, namely a positive influence of € 10.4 million on the result before tax and a negative influence of € 33.3 million on equity.

Price risk

An important raw material for TKH is copper and aluminium. The price risk of copper and aluminium is limited by a continuously monitoring of sales prices against the development of the purchase price where price changes are passed on to customers. Important raw materials such as copper, aluminum, steel and PVC are purchased with forward delivery contracts, to reduce the price risk on the sale of finished products, provided that:

- a sales contract with a fixed price has been entered into,
- delivery will not take place within one month, and
- an important quantity is required for production.

With physical purchases on long-term against a fixed price in advance, TKH made limited use of derivatives to hedge price risks on free inventories and to fix purchase prices of copper regarding large sales orders with delivery times exceeding one month, if not covered by a long-term purchase. On balance sheet date TKH has entered into the following derivatives for raw materials:

in thousands of euros (unless stated otherwise)	Average contract rate		Quantity in metric tons		Fair value	
	2023	2022	2023	2022	2023	2022
Cash flow hedges						
Buy Copper with settlement within 3 months	6.89	7.82	2,112	1,456	374	95
Buy Copper with settlement between 3 months and 1 year	7.12	7.41	1,886	245	395	112
Buy Copper with settlement between 1 and 3 years	7.73	7.49	391	43	-18	14
Buy Aluminium with settlement within 3 months	2.07	2.34	1,833	4,061	101	-690
Buy Aluminium with settlement between 3 months and 1 year	2.10	2.35	512	466	49	-41
Buy Aluminium with settlement within 1 and 3 years	2.28		203		3	
Total					**904**	**-510**

A decrease of the copper price with 10% would have a negative impact of approximately € 1.8 million on the result (2022: € 1.5 million negative) if all other factors and conditions remain the same. This is caused by the free stock, for which price risk is not hedged, which will then be sold at a lower price.

Credit risk

The financial assets of the group mainly consist of cash and cash equivalents, trade receivables, contract assets and other receivables. The credit risk for cash and cash equivalents is outstanding at major international system banks. The credit risks mainly relate to trade receivables and contract assets. However, it concerns a risk that is spread over a large number of customers that operate in several countries and in different markets. At balance sheet date there was no concentration of credit risk for material amounts. Part of the risk is insured at credit insurance companies. In addition, part of the risk is transferred to factoring companies. The credit risks insurances and factoring is in particular related to receivables on customers in the reporting segment Smart Connectivity systems. These customers are mainly located in the Netherlands and Germany. In addition, for large projects to foreign customers bank guarantees, advanced payments (towards a bank guarantee) or confirmed irrevocable 'Letter of Credit' are used. The maximum exposure to credit risk is represented by the carrying amounts of contract assets and financial assets that are recognized in the balance sheet, including derivatives with a positive market value.

An impairment analysis is performed at each balance sheet date, whereby the expected credit losses are calculated using a provision matrix. The percentages in the provision matrix are initially based on historical losses for various customer segments (geographic region, customer type, rating and coverage by, for example, credit insurance).The historical credit risk percentages in the matrix are then adjusted with forward-looking information. If the predicted economic conditions are expected to deteriorate, which may lead to an increase in the number of defaults, the historical credit risk rates will be adjusted. On each reporting date, the historical observed credit risk percentages are updated and changes in estimates are analyzed. The assessment of the correlation between historical observed credit risk percentages, predicted economic conditions and expected credit losses is a management estimate. The actual future credit losses may differ. Below is shown the age of the trade receivables, contract assets and the expected credit losses.

in thousands of euros	Not overdue	Up to 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	Older than 365 days	31-12-2023 Total
Book value	357,210	61,814	7,258	6,491	3,370	2,958	6,573	445,674
Expected credit loss rate	0.1%	0.4%	1.2%	8.2%	4.9%	18.4%	60.9%	
Loss allowance	414	251	90	531	164	545	4,002	5,997

in thousands of euros	Not overdue	Up to 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	Older than 365 days	31-12-2022 Total
Book value	339,106	58,128	10,518	5,706	11,038	3,469	6,941	434,906
Expected credit loss rate	0.1%	0.3%	0.9%	3.4%	0.3%	20.1%	66.6%	
Loss allowance	452	203	99	194	30	696	4,626	6,300

There are no significant overdue account receivables that are not largely covered by credit insurances or payment guarantees or for which no provision has been recognized. The movement of the allowance for doubtful debts is as follows:

in thousands of euros	2023	2022
Balance at 1 January	**6,300**	**6,377**
Aditions	1,148	882
Releases	-565	-682
Acquisitions	1	
Reclassification to assets held for sale	-18	
Utilized	-827	-249
Other reclassifications	-28	-47
Exchange differences	-14	19
Balance at 31 December	**5,997**	**6,300**

21 Contingent liabilities

Framework agreements have been concluded with some suppliers for the availability of some important raw materials. There are no long-term purchase obligations.

in thousands of euros	2023	2022
Bank guarantees provided to third parties	110,463	103,429
Corporate guarantees provided to banks	13,784	14,133
Purchase obligations arising from orders for property plant and equipment	37,567	80,232

The majority of the outstanding bank guarantees relate to down payments and performance guarantees issued to customers relating to constructions contracts. The related advance payments received from customers are presented as part of contract liabilities.

Claims

TKH and its subsidiaries are involved in a number of legal proceedings. According to the information currently available and legal advice received, TKH expects any adverse effects from the outcome of these legal proceedings to be adequately covered by other provisions or insurance.

22 Information by segment

The management structure and segment reporting of TKH is organized along the lines of our three technologies: Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems. In the overview of 'Consolidated entities', as part of the 'Other information', is shown in which of the segments the different subsidiaries operate. In the annual report, a detailed overview of the activities by business segment is shown.

Operating segments	Smart Vision systems		Smart Manufacturing systems		Smart Connectivity systems		Other and eliminations		Total	
in thousands of euros (unless stated otherwise)	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Geographic segments										
Netherlands	45,170	40,256	47,675	47,488	361,787	361,835	12	33	454,644	449,612
Europe (other)	209,390	205,460	141,397	184,656	366,215	410,356	1	53	717,003	800,525
Asia	114,300	118,463	201,183	107,526	37,685	42,347	-1		353,167	268,336
North America	105,725	109,773	128,307	116,070	5,559	7,796	23	24	239,614	233,663
Other	15,097	18,570	49,691	29,945	18,316	15,964			83,104	64,479
External turnover	**489,682**	**492,522**	**568,253**	**485,685**	**789,562**	**838,298**	**35**	**110**	**1,847,532**	**1,816,615**
Inter-segment	10,844	7,201	5,310	5,524	10,978	10,255	-27,132	-22,980	0	0
Total turnover	**500,526**	**499,723**	**573,563**	**491,209**	**800,540**	**848,553**	**-27,097**	**-22,870**	**1,847,532**	**1,816,615**

Operating segments	Smart Vision systems		Smart Manufacturing systems		Smart Connectivity systems		Other and eliminations		Total	
in thousands of euros (unless stated otherwise)	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Timing of revenue recognition										
Revenue at a point-in-time	444,656	451,884	99,118	97,077	654,330	699,558	21	27	1,198,125	1,248,546
Revenue over time	40,624	35,114	468,931	388,482	134,827	138,252			644,382	561,848
Inter-segment	10,844	7,201	5,310	5,524	10,978	10,255	-27,132	-22,980	0	0
Revenues from contracts with customers	**496,124**	**494,199**	**573,359**	**491,083**	**800,135**	**848,065**	**-27,111**	**-22,953**	**1,842,507**	**1,810,394**
Other revenues	4,402	5,524	204	126	405	488	14	83	5,025	6,221
Total turnover	**500,526**	**499,723**	**573,563**	**491,209**	**800,540**	**848,553**	**-27,097**	**-22,870**	**1,847,532**	**1,816,615**
Raw materials, consumables, trade products and subcontracted work	205,744	207,485	283,716	246,094	465,649	528,009	-27,248	-22,894	927,861	958,694
Added value	**294,782**	**292,238**	**289,847**	**245,115**	**334,891**	**320,544**	**151**	**24**	**919,671**	**857,921**
Added value in %	*58.9%*	*58.5%*	*50.5%*	*49.9%*	*41.8%*	*37.8%*			*49.8%*	*47.2%*
EBITDA	102,782	111,056	100,218	77,468	104,138	110,348	-19,668	-16,056	287,470	282,816
Depreciation	16,896	15,520	9,582	8,372	23,006	23,017	953	1,104	50,437	48,013
EBITA	**85,886**	**95,536**	**90,636**	**69,096**	**81,132**	**87,331**	**-20,621**	**-17,160**	**237,033**	**234,803**
ROS	*17.2%*	*19.1%*	*15.8%*	*14.1%*	*10.1%*	*10.3%*			*12.8%*	*12.9%*
One-off income and expenses	508				618	-8,115	857	-2,257	1,983	-10,372
Amortization	42,662	39,494	10,978	11,397	3,214	3,660	6	-1	56,860	54,550
Impairments	3,445	432	83	39	193		-1	1	3,720	472
Segment operating result	**39,271**	**55,610**	**79,575**	**57,660**	**77,107**	**91,786**	**-21,484**	**-14,903**	**174,469**	**190,153**
Other information										
Investments in intangible assets, property, plant and equipment, Right-of-use assets, including acquisitions	92,229	38,807	34,114	34,618	167,711	97,822	2,937	1,273	296,991	172,520
Employees (FTE)	2,142	1,998	1,954	1,819	2,274	2,291	95	90	6,465	6,198
Balance sheet										
Assets	801,964	761,444	474,075	461,327	790,353	634,231	4,229	90,724	2,070,621	1,947,726
Assets held for sale			21,171			108,506			21,171	108,506
Associates	2,764	2,738			33,220	9,464	3	2	35,987	12,204
Total assets	**804,728**	**764,182**	**495,246**	**461,327**	**823,573**	**752,201**	**4,232**	**90,726**	**2,127,779**	**2,068,436**
Total liabilities	**190,671**	**203,856**	**314,612**	**331,538**	**239,764**	**277,445**	**547,168**	**468,830**	**1,292,215**	**1,281,669**
Capital employed previous year	528,933	488,804	111,584	71,645	430,069	350,350	23,146	16,955	1,093,732	927,754
Capital employed current year	574,414	528,933	163,169	111,584	544,566	430,069	20,945	23,146	1,303,094	1,093,732
Return on Capital Employed (ROCE)	*15.6%*	*18.8%*	*66.0%*	*75.4%*	*16.6%*	*22.4%*			*19.8%*	*23.2%*

EBITDA and EBITA are exluding one-off income and expenses. Reference is made to note 32 for a further detail on the one-off income and expenses.
The geographic split of turnover is based on the customer-location.
Added value is calculated by deducting ‘Raw materials, consumables, trade products and subcontracted work’ from ‘Total turnover’.
TKH has no individual customers representing 10% or more of the consolidated turnover. Other revenues relate to other services provided to third parties, such as rental, insurance payments and charged costs.

	Non-current assets [1]		Employees (FTE)	
in thousands of euros (unless stated otherwise)	2023	2022	2023	2022
Geographic segments				
Netherlands	481,377	335,540	37%	36%
Europe (other)	512,746	457,213	42%	40%
Asia	40,977	45,084	13%	14%
North America	72,301	69,019	7%	8%
Other	15,065	10,063	1%	2%
Total	**1,122,466**	**916,919**	**100%**	**100%**

1 The non-current assets are shown excluding the deferred tax assets.

23 Personnel expenses

in thousands of euros	2023	2022
Wages and salaries	368,950	335,656
Share-based payments	6,247	4,133
Social insurance contributions	61,968	54,957
Pension costs	20,777	17,891
Temporary labor	33,250	34,924
Capitalized development costs	-32,876	-30,413
Other personnel expenses	20,151	17,949
Personnel expenses	**478,467**	**435,097**

24 Share-based payments

Stock option scheme settled in equity instruments

Option rights to (depositary receipts of) ordinary shares of TKH are granted to the management of the subsidiaries. The rights can never be exercised until after the publication of the company’s annual results three calendar years following the year in which the rights were granted, and have an exercise period of two years. Partly to avoid abuse of inside knowledge, the conditions for participation have been laid down in an internal regulation and have been accepted in writing by the participants.

Executive Board

No option rights are granted to the members of the Executive Board and the Supervisory Board. Mr. H.J. Voortman has been awarded options in the period before being appointed as a member of the Executive Board. The movement and balance of the outstanding option rights granted to him is as follows:

Year of allocation	Exercise price in €	Number at 01-01-2023	Granted during the year	Expired during the year	Elapsed during the year	Exercised during the year	Number at 31-12-2023	Exercise period
2018	52.25	8,400			-8,400		0	2021-2023
Total		**8,400**	**0**	**0**	**-8,400**	**0**	**0**	

Other option beneficiaries

The movement and balance of the outstanding option rights granted to the other option beneficiaries are as follows:

Year of allocation	Exercise price in €	Number at 01-01-2023	Granted during the year	Expired during the year	Elapsed during the year	Exercised during the year	Number at 31-12-2023	Exercise period
2018	52.25	217,079			-217,079		0	2021-2023
2019	46.02	252,460				-28,465	223,995	2022-2024
2020	32.28	304,066			-1,956	-158,268	143,842	2023-2025
2021	37.88	330,424			-2,250		328,174	2024-2026
2022	44.52	351,142					351,142	2025-2027
2023	45.16	0	370,434				370,434	2026-2028
Total		**1,455,171**	**370,434**	**0**	**-221,285**	**-186,733**	**1,417,587**	

At the end of 2023, the company owns 1,162,040 purchased (depositary receipts of) shares to cover the option rights. These (depositary receipt of) shares have been purchased against an average share price of € 41.74. The total purchase value is € 48,500,407. The average share price on the date at which the share options were exercised during the financial year was € 46.13. The options were granted during the financial year on March 7, 2023. The estimated fair value of the options granted in 2023 is € 4,332,509. The fair value was determined on the basis of a binomial valuation model with the following assumptions:

	2023	2022
Fair value at the date of allocation (in €)	11.68	10.09
Expected volatility	35.8%	36.3%
Expected dividend	3.0%	3.0%
Risk free rate	3.502%	0.397%
Expected period to expiry of the option (in years)	4.0	4.0

The current restrictions on the exercise of the options, the chances that employees will leave the company and possible personal considerations of option holders have been taken into account for the expected expiry period of the options. TKH has a reported total charge of € 3,250,187 (2022: € 2,709,255) for these share-based payments which will be settled in equity instruments.

Other share-based payments

Based on the share scheme, (depositary receipts of) shares have been allotted to the members of the Executive Board. During 2023 Mr. J.M.A. van der Lof was allotted 6,547 (depositary receipts of) shares, Mr. E.D.H. de Lange 4,910, and Mr. H.J. Voortman 4,456 (depositary receipts of) shares related to the performance for the year 2022. At the same time, the Executive Board members purchased respectively 6,547, 4,910 and 4,456 (depositary receipts of) shares at the actual share price of € 45.57, all in accordance with the regulation of the share scheme. As a result of the share-based payments, TKH has recognized a total charge of € 2,996,652 (2022: € 1,424,205) in the statement of profit and loss.

25 Other operating expenses

Other operating expenses include overhead, selling, accommodation and manufacturing expenses.

26 Depreciation

in thousands of euros	2023	2022
Depreciation of property, plant and equipment	32,574	31,700
Depreciation of Right-of-use assets	16,339	15,314
Result on disposal of property, plant and equipment	-85	-9,374
Depreciation	**48,828**	**37,640**

27 Amortization

in thousands of euros	2023	2022
Amortization of intangible assets	40,338	37,283
Amortization of intangible assets from acquisitions as a result of 'Purchase Price Allocations'	16,522	17,267
Amortization	**56,860**	**54,550**

28 Impairment

in thousands of euros	Notes	2023	2022
Impairment of intangible assets and goodwill	3	1,790	48
Impairment of property, plant and equipment	4	701	25
Impairment Right-of-use assets	5	1,230	381
Onerous contracts		-1	18
Impairment		**3,720**	**472**

29 Research and development costs

The total operating expenses over the financial year include the following item

in thousands of euros	2023	2022
Research and development expenditure	77,235	67,877
Less: Capitalized development costs	-41,847	-37,843
Add: Amortization of development costs	33,522	30,827
Add: Impairment on capitalized development costs	1,790	48
Research and development costs accounted for in the profit and loss account	**70,700**	**60,909**
Government subsidies for research and development costs	4,925	4,261

30 Financial income and expenses

in thousands of euros	2023	2022
Exchange and translation differences, including the effect of realized cash flow hedges	-750	-2,136
Amortized transaction costs	-527	
Interest costs in defined benefit plans	-51	-17
Interest expense on lease liabilities	-1,746	-1,695
Interest expenses	-21,116	-8,595
Interest income from debt instruments at fair value through P&L	72	88
Interest income	1,244	474
Financial income and expenses	**-22,874**	**-11,881**

31 Tax

in thousands of euros	Notes	2023	2022
Current tax		39,475	46,282
Adjustments for previous years		92	-1,807
Deferred tax	15	-2,387	-359
Total tax on result		**37,180**	**44,116**

The taxes that are included directly in the statement of other comprehensive income are shown below.

in thousands of euros	Notes	2023	2022
Deferred taxes on revaluation of cash flow hedges	15		-1,798
Deferred taxes on actuarial gains and losses	15	15	316
Total tax on other comprehensive income		**15**	**-1,482**

The tax rate is calculated at the prevailing tax rates in each country. The tax rate over the year can be reconciled with the profit before tax as follows:

in thousands of euros (unless stated otherwise)	2023		2022	
Result before tax	**202,942**		**181,242**	
Tax calculated at the Dutch tax rate	52,359	25.8%	46,760	25.8%
Correction due to tax effect for:				
Tax participation exemption	-13,652	-6.7%	-667	-0.4%
Non-deductible expenses	2,278	1.1%	1,170	0.6%
Non-taxable income	-80	0.0%	-57	0.0%
Advantages from tax facilities	-5,440	-2.7%	-4,275	-2.4%
Write off / recognition of deferred taxes	1,209	0.6%	-1,761	-1.0%
(Recognition)/derecognition of deferred tax asset for unused tax losses	145	0.1%	3,108	1.7%
Settlement of income tax returns for previous years	92	0.0%	-1,807	-1.0%
Differences in tax rates for foreign subsidiaries	774	0.4%	1,013	0.6%
Change in statutory tax rate	-483	-0.2%	710	0.4%
Other tax benefits	-22	-0.1%	-78	0.0%
Effective tax rate	**37,180**	**18.3%**	**44,116**	**24.3%**

The effective tax rate decreased compared to last year. The change is mainly attributable to the following circumstances:

- A significant decreasing effect is resulting from the application of the Dutch participation exemption on the divestments of shareholdings that took place during 2023. When this would be normalized, the effective tax rate would be approx. 24.6%.
- Higher non-deductible expenses mainly related to share based payments increase the effective tax rate.
- The benefits from tax R&D facilities decrease the effective tax rate and during 2023 these benefits increased. The R&D facilities mainly relate to the Netherlands (innovation box), Canada (SR&ED), China and Austria;
- The recognition of a deffered tax liability for withholding taxes had in 2023 a negative impact on the effective tax rate, whereas in 2022 a release of deferred tax liabilities, due to the upstream of dividends within the group, lowered the effective tax rate.
- Last year, tax losses were not fully recognized, which resulted in a higher effective tax rate of 1.7%. The impact in 2023 is very limited;
- The settlement of income tax returns for previous years for several legal entities in different countries was limited in 2023 (2022: benefit of € 1.8 million);
- Differences in tax rates for foreign subsidiaries causes on balance a higher effective tax rate. This mainly applies to our subsidiaries in Germany, Italy, France and USA; and
- Changes in statutory tax rates applied in the calculation of deferred taxes resulted in a tax benefit of € 0.5 million (2022: tax charge of € 0.7 million).

TKH is within the scope of the OECD Pillar Two model rules. Pillar Two legislation has been enacted in the Netherlands effective as from 31 December 2023 for financial years starting on or after this date (e.g. financial year 2024). Under the legislation, the group is liable to pay a top-up tax for the difference between their (GloBE) effective tax rate per jurisdiction and the 15% minimum rate. Based on an assessment of the financial years 2021 - 2023, most of the group entities have an effective tax rate that exceeds 15%. There are three jurisdictions that may be at risk to have an effective tax lower than 15% going forward. For these countries, a more detailed assessment has taken place of the additional taxation due, and this was considered not material.

The TKH Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

32 Earnings per share attributable to shareholders

in thousands of euros (unless stated otherwise)	Notes	2023	2022
Weighted average number of (depositary receipts of) shares (x 1,000)		40,666	41,057
Effect of share options (x 1,000)		86	104
Weighted average number of (depositary receipts of) shares diluted (x 1,000)		**40,752**	**41,161**
Net profit		165,762	137,126
Less: Non-controlling interests		-58	-43
Net profit attributable to the shareholders of the company		**165,704**	**137,083**
Amortization of intangible non-current assets from acquisitions	3	16,522	17,267
Taxes on amortization		-4,244	-4,633
Net profit before amortization attributable to the shareholders of the company		**177,982**	**149,717**
One-off income and expenses		1,983	-10,372
Result from divestments, one-off expenses and purchase price allocations in the result of associates		-51,891	1,013
Impairments		3,720	472
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests	14	146	105
Tax impact on one-off income, expenses and impairments		-1,426	2,661
Net profit before amortization and one-off income and expenses attributable to the shareholders of the company		**130,514**	**143,596**
Earnings per share attributable to shareholders			
Ordinary earnings per share (in €)		4.07	3.34
Diluted earnings per share (in €)		4.07	3.33
Ordinary earnings per share before amortization (in €) [1]		4.38	3.65
Ordinary earnings per share before amortization and one-off income and expenses (in €) [1]		3.21	3.50

1. Non IFRS measure

The one-off income and expenses in 2023 mainly relates to restructuring, acquisition and divestment costs. The one-off income in 2022 mainly relates to the sale of real estate formerly classified as ‘Held for sale’. The number of (depositary receipts of) shares outstanding with third parties as per December 31, 2023 was 39,801,946. (2022: 41,004,782). The amount of own shares held by TKH amounts to 2,400,483 per 31 december 2023, which represents 5.69% (2022: 2.84%) of the total outstanding shares.

33 Related parties

Trade transactions

During the year trade transactions with non-consolidated related parties have taken place. These transactions were concluded at market prices, taking into account discounts for volumes and the existing relationship between the parties. The following transactions with related parties occurred during the year:

in thousands of euros	Sold to		Bought from		Trade receivables		Trade payables	
	2023	2022	2023	2022	2023	2022	2023	2022
CAE Data SAS	913		96		795		330	
Shin-Etsu (Jiangsu) Optical Preform Co. Ltd.			25,589	22,331			8,075	7,910
Speed Elektronik Vertrieb GmbH	416	233	9	83	60	23		13
Commend Australia Integrated Security and Communication Systems Pty Ltd.	598	629			153	79		
Total	**1,927**	**862**	**25,694**	**22,414**	**1,008**	**102**	**8,405**	**7,923**

Shareholdings of members of the Executive Board and the Supervisory Board

During the financial year Mr. J.M.A. van der Lof sold in total 18,594 (depositary receipts of) shares at an average stock price of € 45.89, Mr. E.D.H. de Lange sold 14,730 (depositary receipts of) shares at a stock price of € 45.57 and Mr. H. Voortman sold 4,456 (depositary receipts of) shares at a stock price of € 45.57, in accordance with the share scheme. In addition, Messrs. J.M.A. van der Lof, E.D.H. de Lange and H.J. Voortman purchased under the share scheme respectively 6,547, 4,910 and 4,456 (depositary receipts of) shares at a stock price of € 45.57. Among the members of the Executive Board, Mr. J.M.A. van der Lof owned 112,647 (depositary receipts of) shares, Mr. E.D.H. de Lange owned 80,099 (depositary receipts of) shares and Mr. H.J. Voortman owned 40,391 (depositary receipts of) shares at the end of 2023.

Remuneration of the Executive Board and the Supervisory Board

The remuneration payable to the members of the Executive Board comprises a basic salary (TRI), pension and a variable element, comprising an annual performance bonus (STI) and a long-term bonus (LTI) scheme entailing a share scheme. The remuneration of the Supervisory Board consists of a fixed remuneration and a remuneration for participation in a committee. The various remuneration components are explained below, as well as the amount charged to the legal entity and its subsidiary or group companies.

	Total regular income (TRI)		Bonus (STI)		Share scheme (LTI)		Pension		Compensation for pension premium		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Executive Board	1,887	1,758	785	1,028	2,808	1,244	96	88	375	341	5,951	4,458
Supervisory Board	325	304									325	304
Total remuneration	**2,212**	**2,062**	**785**	**1,028**	**2,808**	**1,244**	**96**	**88**	**375**	**341**	**6,276**	**4,762**

The breakdown of the remuneration per person and according to the various remuneration components is included in the remuneration report that is part of the annual report.

34 Business combinations

Acquisitions

On 8 May 2023, TKH acquired 100% of the shares in Euresys, a leading innovative high-tech designer and provider of software for 2D and 3D image analysis, as well as video capture and processing. Its main markets are computer vision, machine vision, factory automation, and medical imaging. Euresys technology complements TKH's existing and differentiating proprietary Machine Vision technologies, and adds strong software expertise, interface technologies and know-how to our capabilities. Euresys employs 82 people and realizes an annual turnover of about € 23 million (about € 17 million from acquisition date) with an EBITA and ROS at a minimum in line with our Smart Vision segment. Besides its head office in Liège (Belgium), it has operations in Germany, US, Japan, Singapore and China. The activities are part of the Smart Vision Systems segment.

The purchase price, net asset valuation and fair value adjustments are as follows:

	Euresys		
in thousands of euros	Book value	Adjustments	Fair value
Intangible assets	2,794	18,003	20,797
Property, plant and equipment	5,656		5,656
Right-of-use assets		924	924
Inventories	4,990		4,990
Trade and other receivables	4,878		4,878
Cash and cash equivalents	10,779		10,779
Provisions	-140		-140
Non-current liabilities	-2,737	-600	-3,337
Deferred tax	153	-4,501	-4,348
Borrowings	-340	-324	-664
Current liabilities	-3,709		-3,709
Acquired net assets	**22,324**	**13,502**	**35,826**
Goodwill paid			17,866
Purchase price			**53,692**
Contingent consideration			0
Cash and cash equivalents acquired			-10,779
Purchase price paid			**42,913**

The goodwill paid is attributable to the knowledge and skills of the workforce, expected synergy benefits through intensification of cooperation within the TKH Group and alignment with TKH’s strategic development. The recognized goodwill is not tax deductible. The purchase price is paid in cash. The acquisition has a positive effect on TKH's earnings per share as per 2023.

Divestments

In November 2022 TKH reached an agreement with third parties on the sale of its minority 41.5% stake in Cable Connectivity Group B.V. This company was created in August 2019, through the divestment of the majority of TKH’s industrial connectivity systems. The transaction was subject to customary regulatory approval end of 2022 and has been closed on February 1, 2023. It resulted in a one-off profit contribution of € 36 million for TKH in 2023.

At the end of September 2023 TKH announced that the divestment of its TKH France activities to private equity group Argos Wityu has been closed. TKH France distributes connectivity solutions for the building & construction industry mainly in France and contains the entities CAE Data SAS and ID Cables SAS. The activities will be continued by a newly established company under the name SCS Wagram Holding, in which TKH acquired a minority interest of 40%. The cash outflow from acquisition of associates of € 27.6 million as mentioned in the cashflow statement is related to this acquisition of a minority interest.
The transaction results in a one-off net profit contribution of about € 20 million for TKH in 2023. Following the closing of this divestment, TKH France will no longer be consolidated in TKH Group’s results. In 2023 until end of September, the turnover of TKH France totaled € 95.8 million with a recurring EBITA of € 12.9 million and 180 FTEs.

In December 2023, TKH has sold its 100% share in Isolectra Communications Technology Sdn Bhd, located in Malaysia. The company generated around € 1 million turnover in 2023. The divestment generated a small loss.

The reconciliation between the result on divestment and the cash flow is as follows:

in thousands of euros	2023
Net assets at the time of divestment	**102,080**
Result on sale of associates and subsidiaries	54,802
Cash and cash equivalents divested	-26,422
Cash flow from divestments	**130,460**

Assets and directly associated liabilities held for sale

As part of the Strategic program Accelerate 2025 TKH has decided in 2023 to start an active program to sell certain activities within Smart Manufacturing Systems related to electronic assemblies for the industrial and automotive market. Accordingly the associated assets and liabilities have been reclassified in 2023 to assets and liabilities held for sale. Besides working capital, the production facilities are also an important part of this value. The amount of allocated goodwill has been based on applying the relative value method. A sale of these activities is highly probable within the upcoming 12 months. TKH expects a one-off net profit upon sale.
The assets and liabilities classified as held for sale end of 2022 relate to Cable Connectivity Group B.V and the TKH France activities, which were both divested in 2023.

The main categories of assets and liabilities classified as held for sale are as follows:

in thousands of euros	2023	2022
Assets		
Intangible assets and goodwill	1,179	34,116
Property, plant and equipment	10,718	1,769
Right-of-use assets	667	10,324
Associates	0	19,219
Other receivables	0	478
Deferred tax assets	398	0
Inventories	4,363	31,034
Trade and other receivables	2,071	11,380
Contract assets	1,718	0
Current income tax	0	123
Cash and cash equivalents	57	63
Assets held for sale	**21,171**	**108,506**
Liabilities		
Non-current interest-bearing loans and borrowings	536	8,072
Deferred tax liabilities	490	1,059
Retirement benefit obligation	0	911
Current interest-bearing loans and borrowings	149	2,137
Trade payables and other payables	1,972	20,752
Current income tax liabilities	0	526
Liabilities directly associated with assets held for sale	**3,147**	**33,457**
Net assets directly associated with held for sale	**18,024**	**75,049**

35 Non-cash transactions

There were no material non-cash transactions, besides lease transactions as mentioned in note 5

36 Events after balance sheet date

On 23 January 2024, TKH acquired 100% of the shares in JCAI Inc. JCAI offers state-of-the-art guidance software and equipment that provides airports with the tools needed to ensure the aircraft is directed automatically over the tarmac, allowing for maximization of throughput, whilst balancing safety. JCAII has established a strong track record in the airport de-icing area, its patented technology coordinating visual guidance, real time data and operational messaging to both flight and ground crew. JCAII's software is currently deployed across many airports as well as airlines. Through the combination of JCAII's activities with TKH we will be able to boost the growth of both JCAII and the TKH CEDD connectivity technology.

JCAII is based in Toronto, Canada and employs 35 people of which the majority is related to R&D and software development. The annual turnover of JCAII amounted to CAD 13.7 million, with 25% of turnover derived from recurring software sales. The initial purchase price of about € 20 million is paid in cash and is financed from existing resources. In addition a contingent consideration has been agreed for the acquisiton on the basis of (growth of) future results in the next three years, with a minimum of nil and a maximum of about € 35 million. The transaction is expected to have a positive effect on TKH's earnings per share as per 2024. The determination of the fair value of the acquired net assets and the contingent consideration is not finalized per the date of this report given the short time frame between acquisition and publication of the annual report.

37 Service fees paid to external auditors

The service fees paid to the external auditor EY, recognized as other operating expenses, can be specified as follows:

	Ernst & Young Accountants LLP (Netherlands)		Other parts of EY		Total	
in thousands of euros	2023	2022	2023	2022	2023	2022
Audit of the financial statements	1,352	1,255	663	691	2,015	1,946
Other assurance engagements	86	82	18	5	104	87
Tax fees			10		10	0
Other non-assurance engagements			8		8	0
Servicecosts external auditors	**1,438**	**1,337**	**699**	**696**	**2,137**	**2,033**

Company financial statements

Company statement of profit and loss

in thousands of euros	Notes	2023		2022	
Net turnover	15		**13,231**		**11,804**
Wages and salaries	16	13,340		10,952	
Social insurance contributions		1,366		1,220	
Depreciation and result on divestment of property, plant and equipment		302		218	
Other operating expenses		10,916		8,696	
Total operating expenses			**25,924**		**21,086**
Operating result			**-12,693**		**-9,282**
Financial income			4,084		580
Financial expenses			-15,595		-4,075
Exchange differences			11		-272
Change in value of financial liability for earn-out and put-options of holders of non-controlling interests			-96		-658
Result before tax			**-24,289**		**-13,707**
Tax on result	17		-3,802		-2,634
Company result			**-20,487**		**-11,073**
Share in result of participations			186,191		148,156
Net result			**165,704**		**137,083**

Company balance sheet

As of 31 December before profit appropriation

in thousands of euros	Notes	2023		2022	
Assets					
Non-current assets					
Intangible assets and goodwill	2	211,145		171,267	
Property, plant and equipment	3	595		439	
Right-of-use assets	4	2,525		80	
Financial non-current assets	5	945,677		864,572	
Deferred tax assets	6	858		789	
Total non-current assets			**1,160,800**		**1,037,147**
Current assets					
Receivables on subsidiaries		122,669		41,066	
Other receivables	7	11,986		13,448	
Cash and cash equivalents	13	2,116		6,192	
Total current assets			**136,771**		**60,706**
Total assets			**1,297,571**		**1,097,853**

in thousands of euros	Notes	2023		2022	
Equity and liabilities					
Shareholders' equity					
Share capital		10,554		10,554	
Share premium		85,021		85,021	
Legal reserve		115,161		102,115	
Translation reserve		9,968		16,772	
Cash flow hedge reserve		-525		-4,243	
Retained earnings		449,682		439,471	
Unappropriated profit		165,704		137,083	
Total shareholders' equity	8		**835,565**		**786,773**
Provisions					
Deferred tax liabilities	6	879		618	
Provisions	11	46,378		34,130	
Total provisions			**47,257**		**34,748**
Non-current liabilities					
Interest-bearing loans and borrowings	13	2,325		50	
Total non-current liabilities			**2,325**		**50**
Current liabilities					
Interest-bearing loans and borrowings	13	23,916		31	
Payables to group companies		379,640		269,265	
Other financial liabilities	12	1,484		1,908	
Other current liabilities		7,384		5,078	
Total current liabilities			**412,424**		**276,282**
Total equity and liabilities			**1,297,571**		**1,097,853**

Notes to the company financial statement

1 Accounting principles

The company financial statements of TKH Group N.V. (TKH) are prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its separate financial statements, TKH makes use of the option provided in Article 2:362 sub 8 of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result for the separate financial statements of TKH are the same as those for the consolidated financial statements. For a description of these accounting principles, reference is made to the accounting principles of the consolidated financial statements.

Investments in subsidiaries are valued at net asset value. The net asset value is determined on basis of the valuation principles, as described in note 1 of the consolidated financial statements. The net asset value of subsidiaries consists of cost price, exclusive goodwill, the share of TKH in the sum of the assets, liabilities and provisions of the subsidiary, plus the share in the result of the subsidiary since the takeover that is attributed to TKH, less the received dividends.

The expected credit losses as prescribed in *IFRS 9 Financial Instruments* on receivables on group companies are included in the carrying amount of the participations.

2 Intangible assets and goodwill

	Goodwill	
in thousands of euros	2023	2022
Historical cost at 1 January	**172,957**	**172,518**
Accumulated impairment losses	1,690	1,690
Book value at 1 January	**171,267**	**170,828**
Acquisitions	17,866	
Transfer within the group	21,917	
Exchange differences	95	439
Book value at 31 December	**211,145**	**171,267**
Accumulated impairment losses	1,690	1,690
Historical cost at 31 December	**212,835**	**172,957**

The 'Transfer within the group' relates to an internal goodwill reallocation following the divestment of the TKH France activities.

3 Property, plant and equipment

	Other equipment	
in thousands of euros	2023	2022
Historical cost at 1 January	2,482	2,247
Accumulated depreciation and impairments	2,043	1,901
Book value at 1 January	**439**	**346**
Purchases	301	283
Disposals		-11
Depreciation	-145	-179
Book value at 31 December	**595**	**439**
Accumulated depreciation and impairments	**2,188**	**2,043**
Historical cost at 31 December	**2,783**	**2,482**

4 Right of use assets

in thousands of euros	Buildings 2023	Buildings 2022	Other equipment 2023	Other equipment 2022	Total 2023	Total 2022
Historical cost at 1 January			**212**	**212**	**212**	**212**
Accumulated depreciation and impairments			132	93	132	93
Book value at 1 January	**0**	**0**	**80**	**119**	**80**	**119**
Purchases	2,461		141		2,602	0
Depreciation	-83		-74	-39	-157	-39
Book value at 31 December	**2,378**	**0**	**147**	**80**	**2,525**	**80**
Accumulated depreciation and impairments	83		206	132	289	132
Historical cost at 31 December	**2,461**	**0**	**353**	**212**	**2,814**	**212**

5 Financial non-current assets

in thousands of euros	Subsidiaries 2023	Subsidiaries 2022	Associates 2023	Associates 2022	Total 2023	Total 2022
Balance at 1 January	**833,809**	**804,431**	**30,763**	**28,103**	**864,572**	**832,534**
Acquisition and/or incorporation of subsidiaries and associates	35,894	88	27,624		63,518	88
Disposals	-105,486		-19,219		-124,705	0
Capital contribution	69,882	54,198			69,882	54,198
Result	134,820	145,116	-3,430	3,040	131,390	148,156
Dividend received	-68,578	-163,797		-196	-68,578	-163,993
Change in cash flow hedge reserves	3,815	-5,584			3,815	-5,584
Transfer within the group		-772			0	-772
Actuarial gains/(losses) from defined benefit plans	71	1,074		10	71	1,084
Other changes	-134				-134	0
Reclassification provision subsidiaries and associates	12,425	206			12,425	206
Exchange differences	-6,058	-1,151	-521	-194	-6,579	-1,345
Balance at 31 December	**910,460**	**833,809**	**35,217**	**30,763**	**945,677**	**864,572**

The difference between the abovementioned result on subsidiaries and associates and the result as included in the company statement of profit and loss relates to the result on divestment of subsidiaries and associates as disclosed in note 34 of the consolidated financial statements.

6 Deferred tax

The deferred tax assets and liabilities are related to the following items:

in thousands of euros	Undistributed intragroup profits	Tax writedown of loans	Financial instruments	Total
Balance at 1 January 2022	**-581**	**814**	**76**	**309**
(Charge)/credit to other comprehensive income			-101	-101
(Charge)/credit to profit or loss	-37			-37
Balance at 31 December 2022	**-618**	**814**	**-25**	**171**
(Charge)/credit to profit or loss	-261	69		-192
Balance at 31 December 2023	**-879**	**883**	**-25**	**-21**

Certain deferred tax assets and liabilities are offset in accordance with the principles provided in IFRS. The deferred taxes are recognized in the balance sheet as follows:

in thousands of euros	2023	2022
Deferred tax assets stated under non-current assets	858	789
Deferred tax liabilities stated under non-current liabilities	-879	-618
Deferred taxes	**-21**	**171**

7 Other receivables

in thousands of euros	2023	2022
Taxes and social security premiums	10,414	12,381
Other receivables	1,572	1,067
Other receivables	**11,986**	**13,448**

8 Equity

For the movement schedule is referred to the consolidated statement of changes in group equity. The company only movement schedule for equity, excluding the movement of the non-controlling interests, is the same.

Authorized capital

		2023	2022
	x1,000	€ '000	€ '000
The authorized capital consists of:			
Ordinary shares	59,984		
Cumulative preference financing shares	10,000		
Convertible cumulative preference financing shares	10,000		
Cumulative preference protective shares	60,000		
Each nominal € 0.25	**139,984**	**34,996**	**34,996**
Priority share	4		
Each nominal € 1.00	**4**	**4**	**4**
Authorized capital		**35,000**	**35,000**
Of which not issued		24,446	24,446
Issued capital [1]		**10,554**	**10,554**

1. Concerns 4,000 priority and 42,198,429 (depositary receipts of) shares.

The number of outstanding (depositary receipts of) shares with third parties as per December 31, 2022 amounted to 41,004,782. Due to the exercise of options rights and share schemes, a balance of 35,607 (depositary receipts of) shares were sold in 2023. In 2023 TKH completed two share buyback programs, both initiated after a divestment and to return additional capital to shareholders. TKH has repurchased 1,238,443 of its own depositary receipts of shares for € 50.0 million at an average share price of € 40.38. As a result, the number of (depositary receipts of) shares outstanding with third parties as per December 31, 2023 was 39,801,946.
The amount of own shares held by TKH amounts to 2,400,483 per 31 december 2023, which represents 5.69% (2022: 2.84%) of the total outstanding shares.
The registered ordinary shares, with the exception of the register-shares in the company, have been transferred to Stichting Administratiekantoor TKH Group ('Trust Foundation'), which issues depositary receipts of shares to the ultimate capital providers. Stichting Administratiekantoor is the party entitled to the shares and also exercises the voting right, unless it has granted power

of attorney to the holders of the depositary receipts. The holders of depositary receipts are entitled to receive a power of attorney to cast a vote on the shares corresponding to the depositary receipts they own. Stichting Administratiekantoor remains entitled to vote for the shares for which the holders of depositary receipts are not present or represented at the meeting. The aforementioned power of attorney may be limited, excluded or revoked by the executive committee of Stichting Administratiekantoor in various situations specified in the law (see also Corporate Governance). In that case Stichting Administratiekantoor may (again) exercise the voting right for all shares for which depositary receipts have been issued. The relationship between Stichting Administratiekantoor and the holders of depositary receipts of shares is governed by the administrative conditions. The protection afforded by the use of depositary receipts is based on the 1% rule. The depositary receipts may be exchanged for ordinary shares but not for more than 1% of the total issued capital in the form of ordinary shares. This total includes shares owned indirectly as well as directly. However, this does not apply to the transfer of ordinary shares to the company itself. Every transfer of preference financing shares, convertible preference financing shares and preference protective shares must be approved by the Executive Board. The Executive Board may only grant its approval with the approval of the Supervisory Board.

Besides from what is mentioned in the 'Other information', no special rights are attached to the priority shares.

The company has granted the Stichting Continuïteit TKH ('Continuity Foundation') an option to take preference protective shares for up to a maximum of 50% of the sum of the other outstanding shares at the time that the preference protective shares are issued or 100% of the sum of the other outstanding shares at the time that the preference protective shares are issued if the restriction on the cancellation option lapses, which will occur if and when the Executive Board of the company so decides and files a statement to that effect with the Chamber of Commerce.

Share premium reserve

The share premium reserve is fully exempt from Dutch taxes on distribution.

Legal reserve

The legal reserve relates to:

in thousands of euros	2023	2022
Capitalized development costs	100,447	94,730
Legal reserve for participations	14,714	7,385
Legal reserve	**115,161**	**102,115**

The legal reserve is not available for distribution to the company's shareholders.

Revaluation reserves

The revaluation reserves are not available for distribution to the company's shareholders.

Hedging and translation reserve

The hedging and translation reserves are legal reserves and not available for distribution to the company's shareholders.

9 Dividend

TKH recognizes a liability to pay a dividend when the distribution is no longer at the discretion of the company. A dividend payment is due under Dutch law if approved by the shareholders. At that moment, the amount is recognized directly in equity. At the General Meeting of shareholders in 2023 the dividend for the year 2022 was declared at € 1.65 per (depositary receipt of) ordinary share. The dividend was paid in cash. The dividend on the priority shares was declared at € 0.05 per share. The total amount of dividends paid in 2023 was € 67,697,249 and this amount was charged to the retained earnings.

After December 31, 2023, the Executive Board has proposed a dividend. With regard to Article 33 of the Articles of Association, the Executive Board proposes to the holders of (depositary receipts of) ordinary shares a dividend of € 1.70 per (depositary receipt of) ordinary share. The dividend proposal is subject to approval at the annual general meeting and has not been recognized in the balance sheet and does not impact the corporate income tax.

10 Share-based payments

The share-based payments are disclosed in note 24 of the consolidated financial statements.

11 Other provisions

in thousands of euros	2023	2022
Liability for subsidiaries with negative equity	45,872	33,622
Other long-term provisions	506	508
Total of other long- and short-term provisions	**46,378**	**34,130**

For more background details about other long-term provisions see note 13 of the consolidated financial statements.

12 Other financial liabilities

in thousands of euros	Earn-out	Put options of holders of non-controlling interests	Total
Balance at 1 January 2023	**1,158**	**750**	**1,908**
Change in value through the profit and loss account	96		96
Payment for acquisitions from previous years	-520		-520
Balance at 31 December 2023	**734**	**750**	**1,484**

For more details about the financial liabilities see note 14 of the consolidated financial statements.

13 Net interest-bearing debt

in thousands of euros	2023	2022
Bank loans reported under non-current liabilities	2,325	50
Borrowings reported under current liabilities	23,916	31
Cash and cash equivalents	-2,116	-6,192
Net interest-bearing debt	**24,125**	**-6,111**

For more details about the facilities, conditions and securities see notes 10, 17, 18 and 20 of the consolidated financial statements.

14 Contingent liabilities

Under Article 2:403, paragraph 1 sub f of the Dutch Civil Code the company has assumed joint and several liability for debts arising from the legal actions for all Dutch subsidiaries of which TKH owns directly or indirectly 100% of the shares. The declarations to that effect have been deposited for inspection at the office of the Chamber of Commerce in the place where the legal entity for which the guarantee was given has its registered office.

The company is formally a guarantor for a total sum of € 13.8 million (2022: € 26.6 million) for bank credit and bank guarantee facilities provided to a number of foreign subsidiaries. This facility was called on for a sum of € nill million (2022: € 13.6 million) at the end of 2023. The company and the majority of its 100% owned Dutch subsidiaries form a tax group for the corporate income tax. Consequently, the company is liable for the income taxes of these subsidiaries.

15 Turnover

The turnover is related to the charged head office costs in the year for services provided to subsidiaries of the company.

16 Wages and salaries

The share-based payments and remuneration of key management are included in notes 24 and 33 of the consolidated financial statements.
The number of employees amounted to FTE 26 end of 2023. (2022: 25)

17 Tax

in thousands of euros	Notes	2023	2022
Current tax		-3,675	-2,527
Adjustments for previous years		-319	-144
Deferred tax	6	192	37
Total tax on result		**-3,802**	**-2,634**

The reconciliation of the tax expense in the year with the result before tax is as follow:

in thousands of euros (unless stated otherwise)	2023		2022	
Result before tax	**-24,289**		**-13,707**	
Tax calculated at the Dutch tax rate	-6,267	25.8%	-3,536	25.8%
Correction due to tax effect for:				
Non-deductible expenses	1,614	-6.6%	1,010	-7.4%
Other non-deductible costs	459	-1.9%		
Adjustments prior year other	450	-1.9%		
Settlement of income tax returns for previous years	-319	1.3%	-144	1.1%
Taxes on (un)distributed profits of foreign subsidiaries	261	-1.0%	36	-0.3%
Effective tax rate	**-3,802**	**15.7%**	**-2,634**	**19.2%**

18 Signature of the financial statements

Haaksbergen, March 4, 2024

Executive Board
J.M.A. van der Lof MBA, *chairman*
E.D.H. de Lange MBA
H.J. Voortman Msc

Supervisory Board
P.W.B. Oosterveer, *chairman*
J.M. Kroon
C.W. Gorter
A.M.H. Schöningh
R.L. van Iperen